AUGUST 5, 1955 20 CENTS

U.S. News & World Report

'COLD WAR' GOES ON

"The Government Is TOO BIG"

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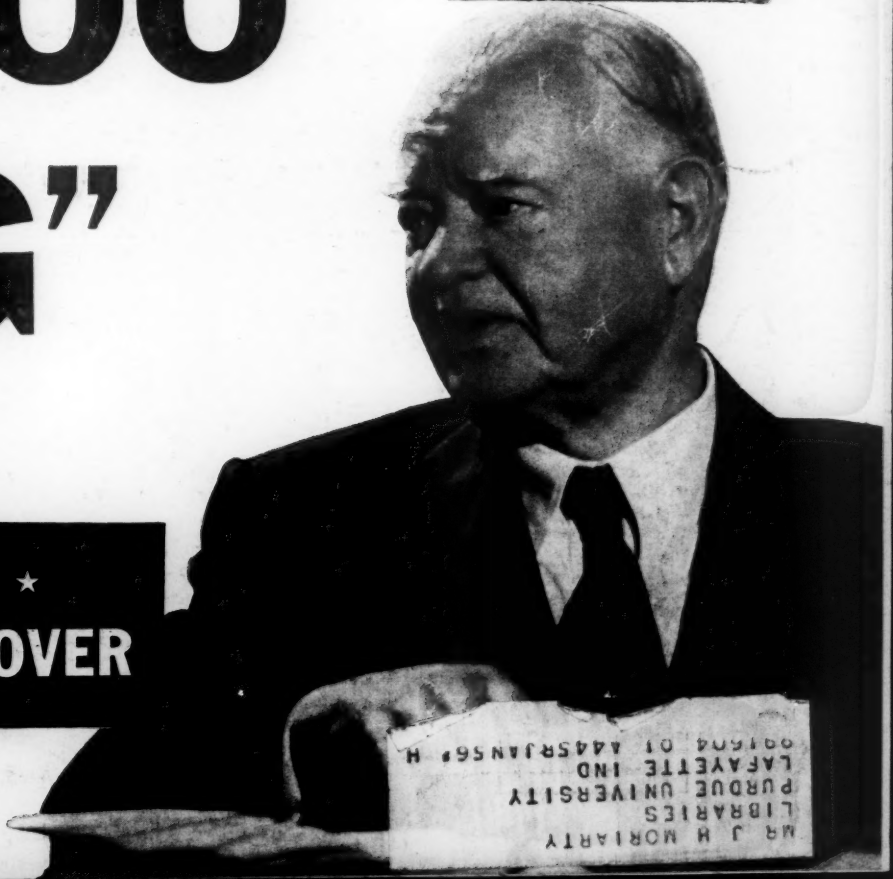

Says ★ ★ ★
HERBERT HOOVER

Keeping America on the GO...with **TIMKEN** *Tapered Roller Bearings*

All your wife needs to know about car repairs

A WOMAN didn't drive much, years back. Not without a man along, anyway. The man was an indispensable accessory—to fix the car when it got balky.

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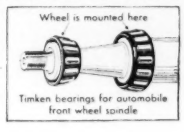
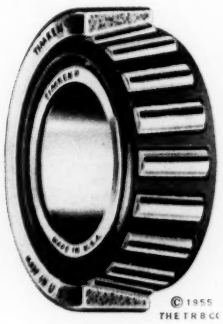
From the beginning, the auto makers have had their sights set on a trouble-proof car. It helps explain why so many cars today use Timken® tapered roller bearings to overcome friction in vital moving parts such as wheels, pinions and steering gears. Every car but one uses Timken bearings for pinions.

Timken bearings are designed to roll true. They're made microscopically accurate to live up to their design. And, because no bearing can be any better than its steel, we make the steel ourselves to be sure it's good enough for Timken bearings. It's a quality precaution no other U.S. bearing maker takes. Such extra quality is well worth the effort, we think. So do car makers. It helps make Timken bearings, in terms of performance, the lowest cost bearings you can buy. It's why all industry uses Timken bearings to keep America on the *go!* The Timken Roller Bearing Company, Canton 6, Ohio. Cable address: "TIMROSCO".





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Only **TIMKEN** *bearings roll so true, have such quality thru-&-thru*

"Treasure Chest" Land is BIG geographically

and in depth of resources

Ask for copy of "A Treasure Chest in the Growing West."

Detailed information is presented in this Area Resource Brochure. Write, wire or telephone for a copy. Inquiries held in strict confidence. Address: W. A. Huckins, Manager, Business Development Department, Dept. 2, Utah Power & Light Co., Salt Lake City 10, Utah.

This area is *big*. "Treasure Chest" land is rich in untapped resources, too. For example, in this area are 60% of the nation's phosphate reserves, huge reserves of coal, oil and gas—and mountains containing 214 different minerals. Knowing this, such firms as U. S. Steel, Kennecott Copper, Monsanto Chemical, U. S. Vanadium, Vitro Uranium, Westvaco and scores of others have invested millions in facilities to extract and convert this region's raw materials into products for western, national and foreign markets. The vast Utah, Idaho, Colorado and Wyoming area—25,000 square miles of it—served by Utah Power & Light Company invites and merits the careful study of any industry seeking unlimited material sources as a base for expanded operations.

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- **60% of U.S.A. phosphate reserves.**
- **214 different minerals.**
- **One-third of nation's copper.**
- **Largest proved uranium reserves in the nation.**
- **Greatest concentration of non-ferrous metal mills, smelters, refineries in U.S.A.**
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- **A gateway to the rich, far west market where America is growing fastest.**
- **Plus . . . plenty of "elbow room."**

UTAH POWER & LIGHT CO.

A Growing Company in the Growing West

IN THIS ISSUE

★ How Russia Can Be Air-Photographed Now

Here's how Russia's military bases can be photographed in short order by a relatively few planes—without the Russians' ever knowing it—in the opinion of a recognized military authority on aerial photography. For the basic details, together with an estimate of the risks involved for those making the photographs, see page 70.

★ A Look at World's Most Prosperous Workers

If delegations visiting U. S. would talk to its factory workers as well as its farmers, this is what they would find—a close-up of how one typical auto worker fares. Page 28.

★ Are the Chinese Reds Ready for a Deal?

You get an expert's appraisal of the Chinese Communists, as the U. S. opens talks with them, in this exclusive interview with Prime Minister U Nu of Burma. Page 80.

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WORLD REPORT

U. S. WEEKLY
Three Titles Reg. U. S. Pat. Off.

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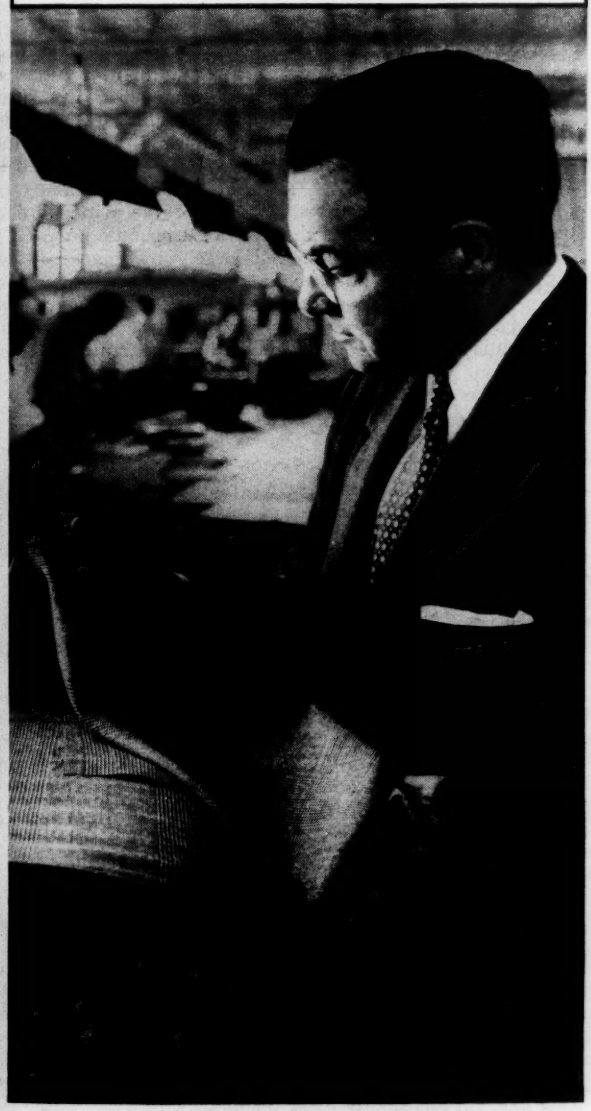
How many yards make a suit?

Would your banker know?



THE man holding this bolt of worsted could tell you that it takes 3½ yards of it to make a size 40 suit. He could tell you, too, that it's 12 ounce weight and 100% wool.

You might take him for a clothing manufacturer. But he's actually a loaning officer from The First National Bank of Chicago!

Still, clothing and textiles are this banker's specialties, for he's from Division B—the Division of our Commercial Banking Department that serves these industries. He considers an intimate knowledge of fabrics and styles, tailoring techniques and problems of distribution quite important in his job. So he studies his field—in printed publications and in the mills and cutting rooms and showrooms.

This kind of interest and knowledge is typical of the officers in all 10 of our Divisions. Each Division finances a certain group of industries exclusively. Its officers, through firsthand contact in the field, come to know their assigned industries as few other bankers do.

No matter what *your* business, it's the specialized interest of one of these Divisions. The officers of that Division study current trends and markets as they pertain to you. They can serve you better because they know what financing you need—and why.

Why not let us put the benefits of this unique system to work for you? Get in touch with a man from The First today; he speaks your business language.

The First National Bank of Chicago

Building with Chicago since 1863

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

YOUR PLM AGENT

serves you these eight ways

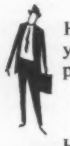
He is your neighbor. Hence he knows local conditions—the hazards to which your property is specially liable.

He is in a position to assess community fire preventive and protective measures as they bear on your property.

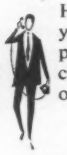
He can best advise on the kind and amount of insurance protection you need. He will sit down with you and plan it.

He knows local costs and property values, and so can counsel you on keeping your insurance always in line with replacement figures.

He is a serious, professional insurance man who keeps abreast of the latest developments in coverage.



He can save you up to 20% on your fire and other insurance premiums, yet with assured safety.



He is *there*, at the other end of your local phone, to facilitate prompt adjustment and quick claim payment if you suffer fire or other loss.

He brings you at all times that vital peace of mind which comes from knowing that someone you trust is watching over your interests day and night.

Why not write us for his name?

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Writing FIRE and ALLIED LINES

"In the Birthplace of American Mutual Insurance"

The March of the News

WHERE POLIO STRIKES

POLIO WAS STRIKING in a crazy-quilt pattern. For the U. S. as a whole, the number of cases was well below last year's record. But, in some areas, polio approached epidemic proportions.

In the six New England States, the number of cases was almost three times as high as last year. Massachusetts was hardest hit, with 439 cases this year, compared with 75 cases in the same period of 1954. Dr. Roy F. Feemster, Director of Communicable Diseases, reported 200 cases in Boston alone. "We are on the threshold of an epidemic," he said. Of 150,000 Massachusetts children who received 1 shot of the Salk vaccine this spring, 14 have contracted polio. Dr. Feemster said the outbreak indicates that a single shot of the vaccine does not protect against polio.

In New York City, the National Foundation for Infantile Paralysis announced it was rushing 745,500 cubic centimeters of gamma globulin to 17 Massachusetts communities to help fight the disease.

ZHUKOV "BRIEFS" IKE

PRESIDENT EISENHOWER, who frequently is "briefed" on current situations by members of his Administration, got a history-making briefing on the other side of the Atlantic. Soviet Marshal Georgi K. Zhukov shattered the tradition of Kremlin reserve by spilling some of its secrets to the U. S. President.

During a two-and-a-half-hour chat, the Russian Defense Minister devoted a full hour to the new Russian concept of collective leadership, explaining the ins and outs of Moscow politics.

President Eisenhower gave his news conference a skeletal idea of the ground the conversation had covered.

Insiders quoted one of Marshal Zhukov's remarks to the President at Geneva: "Things have changed. There's no longer a dictator in the Soviet Union."

WHAT $4.28 WILL BUY

THE DEPARTMENT OF AGRICULTURE had a budget bombshell to explode. An American couple, its nutrition experts said, can get along fine on a weekly food budget of $4.28 per person.

The Utah experiment station proved this thesis—at least to its own satisfaction—by persuading a young couple to try out their 20-cents-a-meal diet for three weeks.

Concentrating heavily on chuck roast, hamburger, pancakes, potatoes, peanut butter, cabbage and other low-cost foods, Mr. and Mrs. Howard Lloyd sailed through 21 days without losing a pound; they announced at the finish: "We ate good."

The weekly budget, per person: milk and cheese, 83 cents; eggs, 22 cents; potatoes, 4 cents; fruits and vegetables, $1.04; meat and fish, 66 cents; dry beans, peas and nuts, 22 cents; baked goods, flour and cereals, 61 cents; fats and oils, 36 cents; sugar, sirup and preserves, 25 cents; condiments and spices, 5 cents.

MONEY TROUBLES

REPRESENTATIVE John W. McCormack (Dem.), of Massachusetts, summed up the situation pretty well. "Everybody wants a road bill," he said, "but nobody wants to pay for it."

His comment came after the House of Representatives voted down two different federal highway programs. One was the White House program, to be partly financed by special bonds not counted as part of the national debt. The other was a Democratic program, to be financed largely by increased taxes on gasoline, diesel fuel and other items.

Congress was eager to adjourn, but President Eisenhower made one last try, said he "devoutly" hoped that the legislators would reconsider.

TOO MANY CONVICTS?

THE NATION'S PRISONS are bursting at the seams, reported James V. Bennett, Director of the U. S. Bureau of Prisons. Population of State and federal penal institutions is at a new high, with 182,051 inmates, he said.

With about one in every 1,000 Americans behind bars, Mr. Bennett told Congress he needs 27 million dollars to build two new maximum-security prisons.

Women convicts continue to be a small portion of the total, Mr. Bennett reported. They make up less than 4 per cent of those in State prisons and reformatories, less than 5 per cent of those in federal institutions.

COLD COMFORT

THE TEMPERATURE was 99 in Chicago, 93 in New York City, and 95 in Little Rock, Ark. In Washington, D.C., as thermometers registered 94, the *Washington Post & Times Herald* reprinted this item from a London newspaper: "Britain's heat wave, which lapsed on Monday, returned yesterday. In a blaze of sunshine, the temperature rose steadily to 77 degrees. . . ."

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You can exchange ideas. Clear up questions. Reach decisions. Get quick action. All in a short time, from your own desk.

Rates are low. A daytime Conference call connecting Washington, D. C., New Orleans and San Francisco, for example, costs only $6.00 for the first three minutes and only $1.25 for each additional minute, both plus 10% federal excise tax.

Try this modern service the next time you want to talk with several business associates. It's fast. Convenient. Personal.

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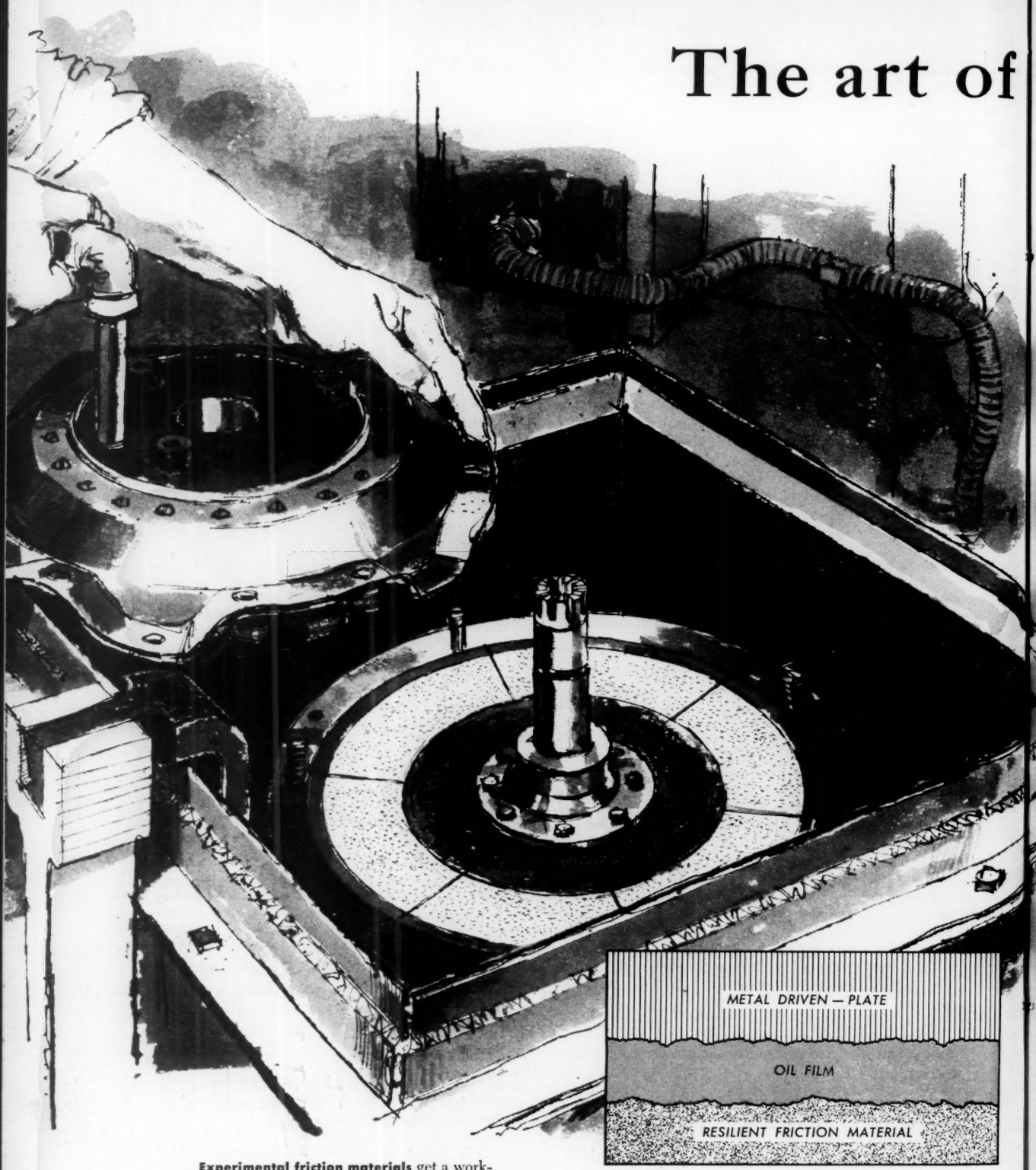
BELL TELEPHONE SYSTEM

The art of



Experimental friction materials get a workout in this test clutch at the Armstrong Research and Development Center. All conditions—temperature, pressure, and speed—are precisely controlled. Automatic recorders chart the operating characteristics of facings during each engagement cycle.

In wet clutches, the driving and driven surfaces are separated by an oil film when disengaged. The film thins as engagement pressure forces the surfaces into contact. After a brief period of slip, the surfaces grip and the clutch becomes fully engaged as relative movement ends.

f making friction behave

How research men control the grip of friction materials to help cars, appliances run smoother

Shifting gears automatically in an automobile . . . changing from "rinse" to "spin-dry" in a washer . . . rapid-fire starting and stopping of an industrial sewing machine – all depend on how well a thin sheet of friction material in a clutch does its work.

Although the job of the clutch – to engage and disengage the driving force – is nearly always the same, the way it engages may vary considerably.

With an industrial sewing machine, for example, the operator runs a seam at high speed, stops on a stroke of the needle, turns the fabric, and races down another seam. Here, research men found that a cork clutch facing material, operated "dry," will take hold fast enough to take the machine from a dead stop to full speed in a fraction of a second.

But the same kind of fast-acting dry clutch in an automobile would produce too much shock for both car and rider. And if to avoid this shock the clutch plates were allowed to slip during engagement, the heat generated might burn up the facing material.

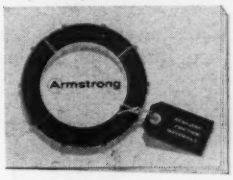
Smooth, gradual engagements are commonplace, however, in the clutches of automatic transmissions. Here cork facings are operated "wet," that is, immersed in oil. Surprisingly, cork keeps much of its high friction even when flooded with the same oil that lubricates the transmission. In fact, oil makes gradual engagements practical by carrying off much of the heat that's generated.

Changing the shape of the plates in a wet clutch produces different kinds of engagement, too. A flat plate with radial slots, for example, engages faster than a plain flat plate. On the other hand, a "waved" plate engages more slowly.

Although there are many such mechanical techniques, the art of making friction behave also depends a great deal on the compounding of the friction material itself. The research worker faces almost limitless possible combinations of cork, rubber, resins, and fibers. Even small changes in these ingredients or their proportions may make significant differences in clutch performance.

As a result, developing a new material with specific frictional properties is a job that takes a large measure of resourcefulness and imagination. The only criterion for success, however, is found in the very practical question, "Does it work?"

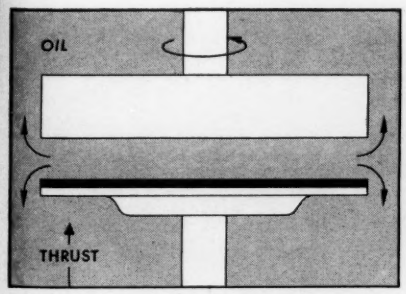
If you make or design clutches for automobiles, appliances, machine tools, business machines, or the like, send us the details. We may be able to suggest ways for you to lower costs or improve performance with Armstrong resilient friction materials. And for data on designing with cork facings, write for the booklet, "Armstrong Resilient Friction Materials." Armstrong Cork Company, Industrial Division, 8208 Dunlap Road, Lancaster, Pa.



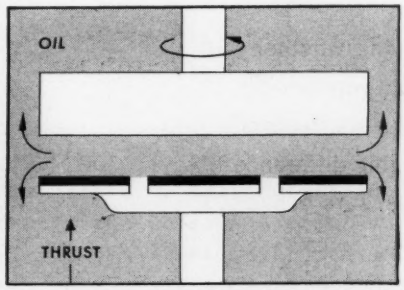
Armstrong INDUSTRIAL PRODUCTS

. . . USED WHEREVER PERFORMANCE COUNTS

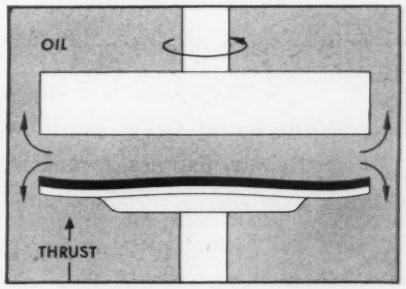
adhesives . . . cork compositions . . . cork-and-rubber . . . felt papers . . . friction materials



Changes in clutch plate design permit designers to manipulate the oil film and control the engagement period. It takes a flat plate, for example, a relatively long time to squeeze away the oil film and become fully engaged.



Radial slots in a flat clutch plate tend to create short engagement periods, even with low engagement pressures. The slots apparently set up a "squeegee" action that wipes away the film of oil, hastening full contact.



A "waved" plate maintains the oil film much longer during engaging period when the pressure is being applied. When full pressure is finally developed, the plate flattens to make full contact, and engagement is completed.

Slow-moving shipments kept Joe in a pickle,
His sour disposition nothing could tickle . . .

But now he's all sweetness—the light just broke through.
Could swift **RAILWAY EXPRESS** be your answer, too?

The big difference is

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FROM THE NATION'S CAPITAL

Tomorrow®

A LOOK AHEAD

Newsgram®

24th and N Streets, N.W.
Washington, D. C.

People of this country never had it so good as now. Yet the chances are that they're going to have it even better as time goes on.

Pay is rising. Cost of living, however, is stable, so that higher pay buys more. Trade in most lines is in a growing boom as a result.

Earnings of business are beginning to smash records. Dividends are on the way up with earnings. Stock-market prices reflect prospects for high and rising dividends, with the result that many people have large paper gains.

Now peace is in the air to make people feel better than ever.

There's nothing now in sight to change all of this. Speculation seems not to be overdone. Debt is very high and rising fast, yet bigger incomes and secure jobs keep the interest on that debt from being too burdensome.

Farmers aren't doing so well, it's true. Farm owners, however, have only 11 billions out of a national income of 320 billions. That's under 4 per cent, so that, if farm income goes down 25 per cent for owners, barely 1 per cent of national income is involved. Planners in Government are not so concerned about troubles on the farm as they were in times past.

Money is being made a little more expensive to borrow. "Hard" money, however, is not going to come back. There'll be plenty of dollars for almost all purposes and those dollars will not be made hard to get.

Money tightening is intended to keep the boom from getting explosive. It is a device for discouraging price inflation, for making sure that people do not get in too much of a get-rich-quick kind of mood.

The idea, though, is not to stop the boom in its tracks or reverse it.

The boom itself is expected to be in high gear later this year. It is catching its breath a little at the moment during vacation season.

By the fourth quarter, things really will be humming. New-model cars then will be pouring out. TV, appliances, gadgets of all kinds, goods for the Christmas trade will be turned out in record numbers.

First half, 1956, is almost sure to run higher than first half, 1955.

Second half, 1956, may be more of a testing period. There is nothing in sight, however, to suggest that a real business crack will develop at any time. Not that a "new era" is here, but just that Government and business both are more aware of danger signs and more ready to heed and correct them.

Peace talk tends to encourage people, too. Fear fades away. Hope for better things to come then takes its place. Confidence is greater.

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Trade then seems natural and desirable where, before, it was restricted.

That's just what the Communists, starved for goods, want and expect. Trade barriers built during the "cold war" are very likely to be knocked down. Surplus foods then will flow to hungry people of Communist countries at cut-rate prices. Industrial equipment, needed to keep industry of the Communists from being hopelessly outclassed, will be made available in exchange for gold.

Captive peoples, held against their will by Communists, are likely to be forgotten in the period ahead, are likely to be left to their own devices.

In this period of peace and prosperity, Eisenhower will take a new tack.

Roosevelt tried kindness and gifts as a way to win the hearts of the leaders of Communism. They stole his shirt, grabbing in all directions.

Truman reversed the policy, trying tough talk. Communists went right on grabbing from Czechoslovakia to China. Cold war and Korea followed.

Ike now is back on the kindness tack. His idea is that the Communists may be different with Stalin gone. Maybe so, but it's to be interesting to see how it all works out. Odds are strong that the Communists will be happy to trade kind words for permanent possession of the lands they've grabbed, plus a chance to get Americans again to save their system from collapse.

Congress, winding up, leaves many things undone, put off to a new year.

Highway expansion, to develop a nation-wide system, was killed. The crack-up came over the issue of how to pay the bill. Aid for school building, too, was blocked. Hospitals, clinics, health aids weren't greatly expanded.

Lowered retirement age for women was not voted. Disability, total and permanent, was not brought under Social Security coverage. Health reinsurance stayed dead. Physicians, dentists, other professional people were not covered by Social Security and did not get special tax deductions to build a retirement system on an individual basis. This whole subject will become hot in 1956.

Tax cuts, in general, were passed over to next year.

Postal rates stay where they are, do not go up. Farm price supports remain flexible. Hawaii and Alaska again are denied Statehood. Taft-Hartley Act stays on the books unchanged. Immigration Act is not to be modified to make it easier for persons from abroad to come to U.S.

Minimum wage, though, is to go to one dollar. Public works will go on at a high level. Nations abroad will continue to get large-scale aid.

Tariff-cutting power for the President is extended.

Youths, under a new law, get a chance to volunteer for six months of service, thereby avoiding two years of draft service. Trainees, however, are required to put in 7½ years in active Reserves, with weekly drill.

Draft itself will continue. Draft service will stay at two years.

Alternatives opened for youths by Congress are given for you on page 26.

If there were doubts before, it is becoming more and more clear that Eisenhower is willing to think in terms of a second nomination. It's being taken for granted that there will be an Eisenhower draft and that Ike is the man the Democrats will have to try to beat in 1956. Democrats accept that prospect and are not counting on an early return to the White House.

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[Items appearing on this page are reported in Washington and other news centers]

Stevenson for Senate in '56? . . . Democrats Hunt A Republican "Mess" . . . Nixon May Visit Russia

Adlai Stevenson, if some important Democratic Congressmen are correct, will be his party's candidate for the U. S. Senate in 1956 against Republican Senator Everett Dirksen, of Illinois. Averell Harriman, New York Governor, then would have an easier path to the Democratic nomination as an opponent for President Eisenhower, expected to be the Republican nominee.

★ ★ ★

Closest friends of the President are concerned about the use to be made by Communists of the kind words that Mr. Eisenhower had to say about the world's Communist leaders. At the least, it is expected that these words will be used to convince millions of people held captive by the Reds that U. S. leaders are losing interest in what happens to them.

★ ★ ★

John Foster Dulles, Secretary of State, is not as convinced as President Eisenhower that the be-kind-to-Communists campaign will pay off in real dividends that ever can be cashed.

★ ★ ★

Marshal Georgi Zhukov, Ike's old friend among Communist leaders, is the official of the Soviet Union most likely to make a U. S. visit. The Marshal has an invitation of 10 years' standing to come to this country.

★ ★ ★

Neither Nikolai Bulganin nor Nikita Khrushchev, the two top Communists, will be invited to the U. S. before the 1956 elections. The feeling is that more votes would be lost than would be gained in key industrial States by a public display of these old-line Communists.

★ ★ ★

Richard Nixon, Vice President, is expected to be the top American who pays the first courtesy visit to the Soviet Union. President Eisenhower is not expected to make the trip during his first term, at least. Nelson Rockefeller, Special Assistant to Mr. Eisenhower, has a personal invitation from Nikita Khrushchev and may visit Russia.

★ ★ ★

Kliment Voroshilov, President of the Soviet Union, is not going to visit this country because, according to rules of protocol, he would have to be invited to address Congress, and this could stir up quite a debate.

★ ★ ★

Marshal Tito, Communist dictator of Yugoslavia, is miffed because U. S. officials have not taken a hint that he be invited to pay a visit to this country. Marshal Tito, in spite of big-scale aid from U. S., is edging back closer to Communist leaders of the Soviet Union.

★ ★ ★

Strategy of Democrats in Congress is aimed now at convincing the country that there is another "mess in Washington"—this time of Republican origin. Lines are being laid for a whole series of investigations for 1956 in an effort to strike political pay dirt.

★ ★ ★

Sam Rayburn, House Speaker and strategy leader for the Democrats, is having many unkind things to say about the wisdom and methods of the White House group that tries to deal with Congress. Mr. Rayburn is pictured as convinced that—in the field of domestic policy—Mr. Eisenhower is captive of a group of individuals with many special axes to grind.

★ ★ ★

Harold Talbott, Air Force Secretary, who has come under fire for his business connections, is a bridge partner of the President and one of his closest friends.

★ ★ ★

Clare Boothe Luce, U. S. Ambassador to Italy, has been reported ready to step out of that job. The United States, during the period of recent political change in Italy, was not a supporter of Giovanni Gronchi, who won out as President.

★ ★ ★

Charles E. (Chip) Bohlen, U. S. Ambassador to the Soviet Union for the last three years, is pictured as fed up with that job. It is expected that he will be moved to Vienna, Austria, as the U. S. Ambassador there.

★ ★ ★

Robert Murphy, Deputy Under Secretary of State, is due to give up his long career in Government service for private employment—at a larger salary. Livingston Merchant, an Assistant Secretary of State, is in line to take Mr. Murphy's place.

★ ★ ★

Alexis Johnson, U. S. Ambassador who is to deal with the Chinese Communists, is under strict orders to take the initiative only in obtaining release of Americans held prisoner and to limit other contacts to exploratory questions about formalizing a cease-fire. President Eisenhower wants to find out if the Chinese Reds are willing to demilitarize airfields opposite Formosa in exchange for demilitarizing of airfields on Formosa, with aerial inspection to follow.

★ ★ ★

Communist farm leaders touring U. S. utilize every opportunity to pump Americans for political and other information as well as for information about all kinds of industrial and farming methods.

"I relax more and do more." So can you.

Though called a "fair-haired boy," young Hal
From work was swiftly aging.
From eight to eight, Hal and his gal
Kept running, writing, raging.

1.

His boss said "Hal, we need you *here*—
Not six feet under ground.
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TIME-MASTER's* what *I've* found.

2.

"As work comes up, it's *said* and *done.*
No worry, rush or waiting.
I save the time to have some fun
By *instantly* dictating."

3.

Now Hal's relaxed—he "thinks out loud,"
"Writes" *any* time he pleases.
Your pressure'll vanish like a cloud
So learn what Dicta-*ease* is.

4.

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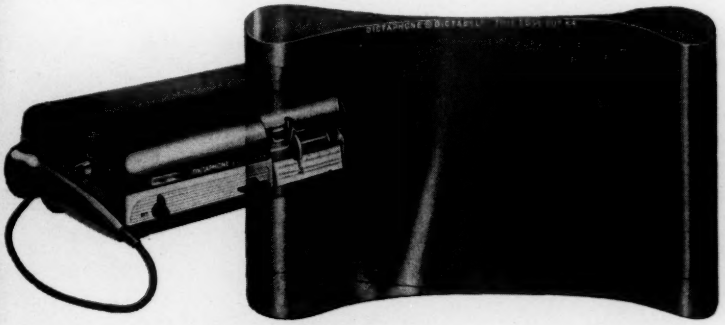

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PEOPLE ★ ★ ★

OF THE WEEK

U. S. NEGOTIATOR in talks with the Red Chinese at Geneva this week is a diplomat with an air of Main Street friendliness, an enormous capacity for work; a "do it yourself" fan who prefers paint-spattered work pants to striped trousers.

U. Alexis Johnson, the U. S. Ambassador to Czechoslovakia, was carefully selected for the job of opening negotiations which may lead to full-scale discussions of such perplexing problems as a Formosa cease-fire. He is one of the State Department's top Far Eastern experts, played a key role in the decisions leading up to the Korean armistice.

The Ambassador is 46, Kansas-born, started at the bottom in the Foreign Service and reached the top in 20 years. He was serving at Mukden, in Manchuria, when the Japanese entered World War II, was interned. Repatriated, he later became Deputy Assistant Secretary of State for Far Eastern Affairs.

After the Korean armistice he was given the top diplomatic job in Prague, has been dealing with the Communists there since the end of 1953.

A 6-footer with the frame of a professional football player, Mr. Johnson has four children, each born in a different country. They are: Judith, born in Washington; Stephen, Tokyo; William, Korea; and Jennifer, Brazil.

FRENCH WAR HERO in a hot spot which gives no indication of simmering down is **Gilbert Grandval,** the Resident General of Morocco. Riots and bomb outrages have swept the French Protectorate on the northwest coast of Africa almost daily since he took over his new post in June.

The trouble centers around the question of home rule for the 8.5 million residents, who include 500,000 Frenchmen. The French are willing to grant some concessions, but the Arab Nationalists refuse to negotiate while the chief target of their hatred, the French-picked Sultan of Morocco, remains in office. And the French refuse to fire him.

Caught in the middle are about 20,000 Americans—U. S. Air Force personnel stationed at the five air bases the U. S. has built in Morocco—and their families.

Mr. Grandval, now 51, flew with the French Air Force in World War II until France surrendered, then joined the resistance forces known as the *Maquis.* At the time of the Allied landings in Normandy, he commanded all the underground forces in that area. As top French official in the Saar after the war, he developed a reputation for toughness in dealing with the Germans, earned their respect. Many Frenchmen believe he is their last hope for retaining their North African colonial empire.

RICHARD A. BUTLER believes Britons are living above their means, spending too much money. So he has tightened credit controls to check a buying spree which he says could wreck Britain's economy if unrestrained.

Britain must export to survive. The

(Continued on page 16)

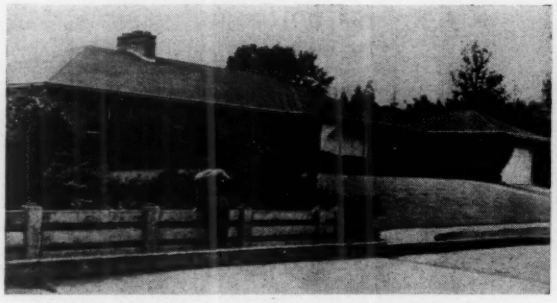
HOME—RENT FREE—FOR DAVE BECK

DAVE BECK is sure of having a roof over his head as long as he remains president of the Teamsters Union. For $163,215, the union has bought from him his luxurious lake-front home in Seattle, lets him live in it free of rent and taxes.

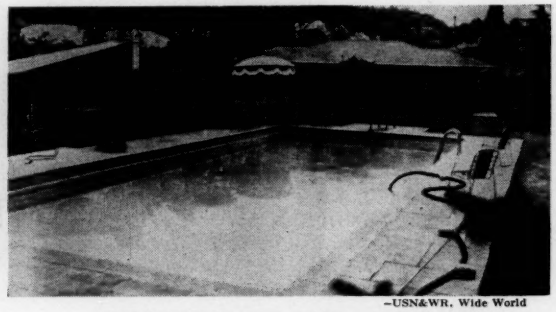
The facilities include three bedrooms, three baths, a den, a movie-projection room, a bar. There's a swimming pool, two 2-car garages, one with apartments above it. These are being made into offices. Says Mr. Beck: "It's my West Coast headquarters."

National headquarters of the 1,300,000-member union is in Washington—a new, 5-million-dollar building overlooking the Capitol.

For the 61-year-old labor leader, it's a long step upward from childhood poverty, when he fished to get food for the family table. He joined the Teamsters as a laundry routeman, was later an organizer for the union, rose to the presidency in 1952, draws a $50,000 salary. He also has extensive interests in an auto-finance agency, real estate.



A $163,215 HOUSE IN SEATTLE . . .



—USN&WR, Wide World

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Most of the people on that team are young and moving ahead fast, in an industry whose future is unlimited. They weren't lured here. They found out – and figured out – for themselves. We hope you will do that, too.

MARTIN
BALTIMORE

trouble now, the Chancellor of the Exchequer told the House of Commons, is that—with wages rising, the stock market booming, credit cheap—Britons have been buying too many automobiles, television sets, refrigerators that should be going to customers abroad.

Mr. Butler drew angry protests from the opposition Labor Party for his "austerity" move. It reversed the situation that existed in the early postwar years, when the Laborites retained rationing and monetary controls long after other Western nations dropped theirs. Then, the Conservatives clamored for relief.

The Chancellor is a reserved intellectual, wears the traditional black coat and pin-stripe trousers of the London businessman or banker. He is credited with supplying a large part of the drive that led the Conservatives back into power in 1951.

Now 52, Mr. Butler is regarded as the heir apparent to Prime Minister Sir Anthony Eden, who defers to him on domestic policy. He originated the slogan "trade not aid," to dramatize his proposal that the U. S. reduce economic handouts, accept more British exports to help Britain get back on her feet.

› **GOVERNOR ALLAN SHIVERS** of Texas, who helped elect a Republican President in 1952, showed signs last week of moving closer toward a reconciliation with national Democratic Party leaders.

The Governor and his supporters in the State's Democratic organization ousted a National Committeeman who was unacceptable to the national party because of his continuing support of President Eisenhower. This opened the way for Texas to have a full voice at a meeting of the rules committee of the Democratic National Committee, which will plan next year's National Convention.

Governor Shivers, now serving a precedent-setting third term, has been at odds with top party leaders since he led a bolt of Texas Democrats into the Republican camp three years ago. This defection in the "Solid South" permitted President Eisenhower to win the State by 133,650 votes.

The Governor is 47. He entered politics as a Texas State Senator at 27, has been successful in both law and business. He makes a point of getting around the State, talking with the voters.

Governor Shivers was one of the leaders in the winning fight to get Congress to pass legislation giving title of submerged offshore-oil lands to the States.

TRAVELERS IN THE RUSSIAN BACKLANDS

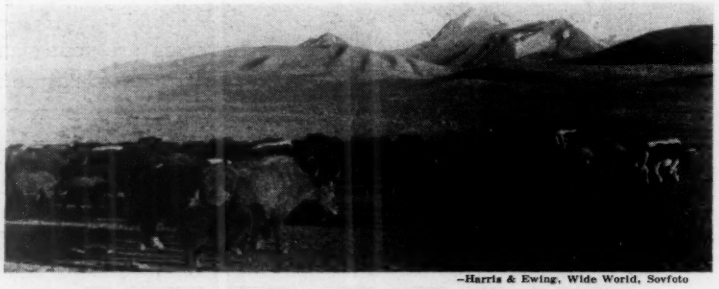
ROBERT KENNEDY

JUSTICE DOUGLAS

› **WILLIAM O. DOUGLAS** has been trying five years to get into Turkestan, a remote area of Soviet Russia little known to Western travelers. Once branded a "spy" by the Kremlin because of his mountain-climbing trips along the borders of Russia, the Supreme Court Justice finally got his visa from Moscow, was ready to go.

Joining Justice Douglas in Teheran is hiking companion **Robert F. Kennedy,** Chief Counsel of the Senate Investigations Subcommittee. The two planned to cross the Caspian Sea on a Russian ship, start their overland jaunt from Baku.

The Justice, 56, and Mr. Kennedy, 29, hoped to do some climbing in the towering Pamir mountains, study the area's richly historic spots on their six-week trip.



—Harris & Ewing, Wide World, Sovfoto

THEY'LL CLIMB RUSSIA'S REMOTE PAMIR MOUNTAINS

› **MARSHAL TITO** of Yugoslavia is talking tougher to the U.S., softer to Russia, now that the Geneva Conference has cleared the air of some East-West tensions, has temporarily soothed Europe's war fears.

The Yugoslav President has hinted that U.S. military aid is no longer essential to his country; that, if the U.S. insists on "supervising" its use, the aid can stop right now. Praising the Russians for honoring Yugoslavia's wishes to be free from outside interference in her internal affairs, he said: "We are Communists but we are not in a camp."

The Yugoslav leader, now 63, is an old hand at changing sides. He deserted from the Austro-Hungarian Army to Russia during World War I, later fought for the Reds. He leaned toward the West through years of the "cold war," after his break with the Kremlin in 1948. He has led his country into an alliance with Greece and Turkey; concluded a settlement of the Trieste problem with Italy.

Since then, he has entertained the Soviet's top leaders in Belgrade; has met there with Prime Ministers U Nu of Burma and Nehru of India, spokesmen for the Asian "neutral bloc"; now apparently is convinced that the Russians want peace as much as do the other big powers.

Moscow feeds that idea, has just forgiven a 90-million-dollar Yugoslav debt.

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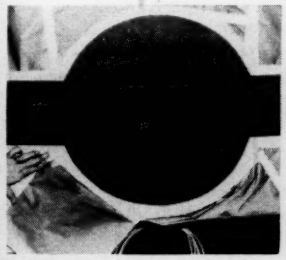
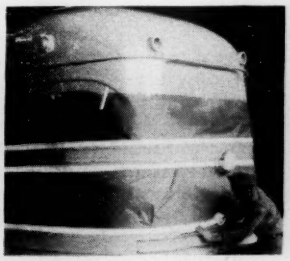


CURVES are cleanly defined when masked with crepe-backed "SCOTCH" Masking Tape No. 202. Tape sticks at a touch: aggressive adhesive prevents paint bleeding or "creep under."



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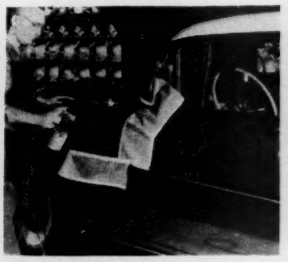

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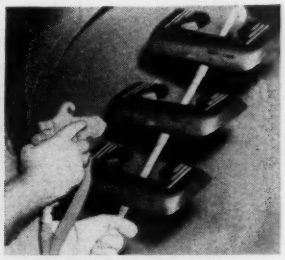

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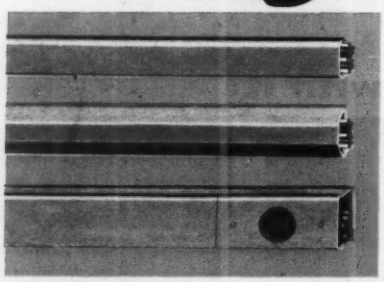
Magic in midsummer



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"COLD WAR" GOES ON

In Formosa—Korea—Malaya—Laos—Vietnam—All Over

There is still plenty of trouble in the world—the Communists are seeing to that.

Red leaders talk one way, but they act another. The skirmishing isn't even close to a truce on most fronts.

Communists are advancing in Asia, looking over more real estate.

In Europe they're keeping the Iron Curtain intact. Red troops shoot to kill.

U. S. and its allies are discovering what the Communists mean when they talk about "relaxing tensions." It looks as if one side is expected to do all the relaxing.

There is no letdown by the Reds.

Reported from GENEVA, PARIS and SINGAPORE

Communists, talking "peaceful coexistence," actually are stepping up the pace of the "cold war" against the U. S. and its allies.

At a time when American officials from President Eisenhower down are trying to reach agreement with Soviet Russia and Communist China to settle the troubles of the world, this is what is going on:

• In less than a week after the Big Four conference at Geneva, Bulgarian troops shot down an unarmed Israeli transport plane that got off course and flew over the Iron Curtain. Fifty-eight people were killed, among them 12 Americans.

• Despite the talk of a cease-fire, Red China's armies are keeping things hot in Formosa Strait, bombarding the islands held by Chiang Kai-shek off the coast of mainland China.

• Armed Communists are at war with the British in Malaya's jungles and threatening to reopen the Indo-China war.

• Communist agents are exploiting Arab uprisings against the French in North Africa—close to some of the biggest U. S. bases. They are fomenting strikes, rioting and bloodshed in Singapore—Britain's key base in the Pacific. They are stirring up trouble between India and Portugal, spreading anti-U. S. rumors in Iran, Afghanistan, Syria and half a dozen other places.

• Communist politicians—trained in Moscow and Peiping—are moving in on Southeast Asia. They are putting the pressure on Laos and South Vietnam. They have emerged from underground to seize the balance of power in the Parliament of Indonesia, where their recent attempt to take control of the Army caused a Government collapse.

• Meanwhile, Communist armies everywhere are pushing their preparations for war. Fresh Soviet troops with modern arms are moving into East Germany. Communist military equipment is pouring into North Korea and North Vietnam under the shelter of truce agreements with the West. Red China is concentrating fighting power within striking distance of Formosa.

—Hesse in the St. Louis Globe-Democrat

"THE QUESTION"
Have the Russians changed?

European experts who just left Geneva and Asian experts who took their places for the talks between the U. S. and Red China agree that the basic issues of the cold war still are nowhere near solution. Despite the outward affability of their leaders, the Communists aren't budging an inch on the big things.

Western officials can detect no easing of the Soviet grip on Eastern Europe. As a matter of fact the Communists are tightening their hold on East Germany. The Germans are told in the bluntest terms that Moscow will not allow their divided country to be reunited so long as there is a sign that German

troops will join the West in the North Atlantic Treaty Organization.

Red pressure on U. S. Elsewhere the Communists are working to isolate strategic areas from the U. S.

They have just wiped out a 90-million-dollar debt claim against Yugoslavia. Now Yugoslavia's Marshal Tito refuses to let the U. S. know what he does with the American military aid going into his country. He publicly applauds what he terms the peaceful intentions of Moscow while warning his people that some Americans are bent on starting a war.

In Afghanistan, Soviet "technicians" are trying to build a new satellite. The country is being drawn deliberately into the Soviet orbit. Communist political propaganda is being stepped up. Official coolness toward American activities has developed in a nation long regarded as a vital link in the West's chain of defense against Russian aggression.

Such cases are cited by Allied experts as examples of a Communist offensive that is world wide and growing at a time when the official propaganda line from Moscow and Peiping is to spread the word for "relaxing tensions."

The Communists in West Europe are under orders now to abandon belligerent tactics of strikes and violence. Their softer line is to work with non-Communist groups in "political co-existence," and try to revive "popular front" movements that they can control. As one Allied diplomat in Geneva puts it:

"The Reds are turning off the heat in the hope Western unity and Western defenses forged in these fires will fall apart."

Asia: danger signs. While the soft line is spreading in Europe, the cold war is neither ending nor even subsiding in Southeast Asia. Britain's Prime Minister, Sir Anthony Eden, says: "The situation in the Far East is more dangerous than that in Europe." A close look at that part of the world shows why.

The Reds are intensifying their campaign to take over large chunks of the area—by infiltration if they can; by armed force if they have to.

In Laos, a 3,000-man Communist Army already holds two northern provinces. It is equipped with arms from Red China and North Vietnam. On-the-spot military experts believe that within six months the Royal Laotian Army no longer will be a match for the Communists. Meanwhile, by propaganda and armed maneuvers, the Reds are putting pressure on the present Government to force their way into a "popular front" Cabinet.

Terroristic tactics. In South Vietnam, Communist agents and agitators are spreading a campaign of terror against the U. S.-supported Government of Premier Diem. Their aim is to reduce the country to utter chaos so they can take it over. Right at the moment, military experts discount talk that the Communist Army in North Vietnam will attack the South, but that Army is being built up steadily. The North Vietnam Government has just received a promise of 338 million dollars in aid from Communist China and an additional 90 million dollars from the Soviet Union.

Singapore, which has been a secure, tranquil city during the last five years, suddenly is one of the most critical spots in Asia. The Communists are in an all-out campaign to force the British out and convert the strategic colony into a satellite of Red China.

The most dynamic political party in Singapore has been converted into a Communist front. Even rich Chinese businessmen are collaborating with the Reds. For the last three months the Communists have kept Singapore in a constant turmoil of strikes and rioting.

In Indonesia, the Communists—almost nonexistent two years ago—now have a powerful political machine with branches extending into the most remote village. Party membership is rising. The Communists have just suffered a temporary setback in their efforts to install a Chief of Staff of their choosing in command of the Army. But one setback doesn't mean they are beaten.

In recent months, the Chinese Reds have been deliberately toning down their warlike talk about Formosa. But, while talking peace, they have enlarged their airfields opposite Formosa, extended a radar network and shifted jet fighters and bombers southward from Manchuria.

The so-called "Formosa cease-fire" actually is a phony. Hardly a day goes by that the Communists don't shell the offshore islands or send jet fighters and bombers into the air over the area. Asian Communists are spreading the line that Peiping wants peace but is strong enough to take Formosa by force if it comes down to that.

Same old story. On both sides of the world, in Asia and Europe, experts who do the detail work on negotiations with Moscow and Peiping are running into the same story. After 10 years of stalemate, conference talks with the Communists are now under way. But, while the diplomats talk, the cold war goes right on.

Even with the "cold war" unabated, Russia wants U. S. aid—see page 22. How Russia's top men operate as a team—page 65. Plan by a U. S. expert for checking on Soviet military build-up—page 70. Final words from the Big Four at Geneva on the pursuit of peace—page 116.

LAOS — Heavily armed Communists on the move, getting set to take over.

MALAYA — Strikes and riots terrorize Singapore as Reds extend guerrilla war against British.

FORMOSA STRAIT — Communists shell Matsu, other offshore islands; renew pressure on Formosa. Sporadic fighting can grow.

CHINA — Chinese Reds hold 51 known Americans as prisoners; many others trapped in China unaccounted for.

VIETNAM — Communists defy Indo-China truce; push military build-up.

KOREA — Red build-up grows under shelter of Korean truce.

INDONESIA — Communists gaining rapidly, now hold balance of power.

INDIA — Indian Communists move in on Nehru's trouble with Portugal; organize invasion of Portuguese Goa.

AFGHANISTAN — Soviet "technicians" moving in to convert this non-Communist country into a satellite.

GERMANY — Thousands flee to the West as Communists tighten their grip on East Germany.

MOROCCO — Red agents stir up Arab nationalists, exploit anti-French rioting.

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WHEN U.S. HELPED RUSSIA BEFORE

Americans Saved First 5-Year Plan—Now to Be Asked to Assist Again

Soviet rulers have an old remedy for their troubles at home. The formula: get skilled Americans to bail them out.

It worked for Stalin in the 1930s. U. S. experts and equipment provided him with steel mills, auto plants, dams, etc.

Now the Communists are in a jam again. There are signs that they'd like to put the Stalin formula back to work for them.

The new rulers of the Soviet Union, bogged down in economic troubles, once again are looking to America for help.

It was U. S. business and industry that pulled Russia's past leaders out of the hole in which they found themselves a quarter of a century ago. Now, once more, Russia would like to buy many U. S. products—from seed corn to heavy industrial machinery. Communist farm experts, touring Iowa, are picking up ideas for boosting Soviet food production. There are plans for a team of U. S. sales executives to visit Russia next year, to help the Communists improve their distribution of consumer goods.

All of this has a familiar ring to Americans who remember how U. S. technicians and machinery streamed into the Soviet Union 25 years ago.

At that time, American industry all but took charge of the first of Joseph Stalin's five-year plans. U. S. steelmen designed and built the basic steel industry of today's Russia. American engineers built the huge Dnieper River Dam, then one of the largest in the world. American advisers taught the Communists what Russia now knows of large-scale wheat-growing.

There is record of Stalin, himself, conceding that American capitalists and machinery built two thirds of all the big industries to be found in the Soviet Union during World War II.

That war, with German armies pouring into Russia, found Soviet leaders in more trouble. Again, it was the Americans who came to the rescue. U. S. food, transport and fuel helped Communists turn defeat into victory over the Germans.

Now Russia's leaders are in difficulty again. They find that industrial output lags behind schedule. Agriculture is admitted to be in a bad way. Communist bosses complain about slipshod work and obsolete machinery.

1926 was the start. Once more, an economic crisis is forcing Russia's leaders to ask: What to do? Their answer, as U. S. experts see it, is simply their old formula:

Find a way to make friends and do business with the United States. Then get America's help—its latest machinery and know-how—to straighten out the kinks in Soviet farming and industry.

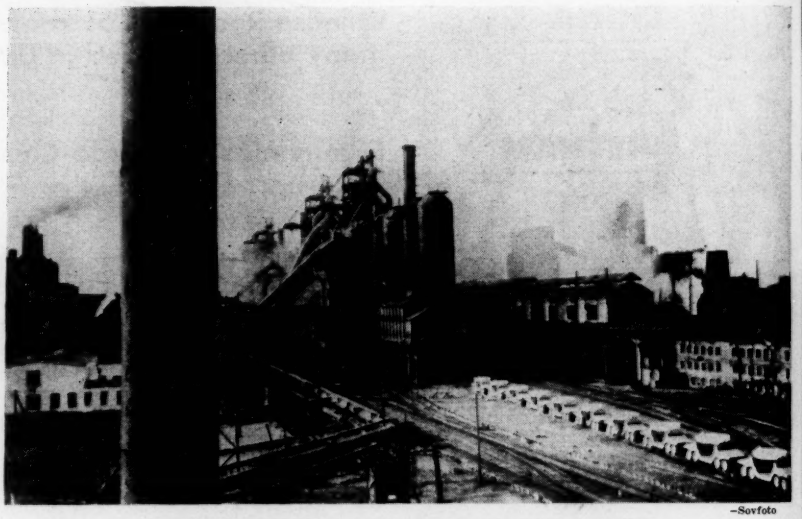
That formula, applied by Stalin a quarter of a century ago, paid the Communists huge dividends. American help, then, had much to do with transforming the Soviet Union from a weak, primitive country into a growing military power in a few years' time.

It was in 1926 that American businessmen got their first big bid from Russia's revolutionaries. Col. Hugh L. Cooper, who built Wilson Dam at Muscle Shoals, got a contract to design and construct the Dnieper River Dam that was destroyed in World War II. This dam had a capacity of 2.5 billion kilowatt-hours, almost half of Russia's former electrical output.

The big flow of American help to Russia, however, got under way after Soviet planners came up with their First Five-Year Plan—then started looking around for people who could make it work.

It was to America that they turned first for the experts and big machinery that Russia, itself, could not hope to supply.

One American firm, the MacDonald Engineering Company of Chicago, got a 110-million-dollar contract in 1929 to build a chain of cement plants, grain elevators, flour mills and other industrial plants throughout Russia.



—Sovfoto

MAGNITOGORSK IS STILL RUSSIA'S STEEL CENTER
. . . and U. S. engineers designed it

That year, too, Henry Ford signed a 30-million-dollar contract with the Soviet Government to build an automobile factory at Nizhni Novgorod, now called Gorki. That factory, designed to turn out 140,000 cars a year, is still one of Russia's biggest auto factories.

U. S. was in depression. America's build-up of the Soviet economy reached its peak at a time when the U. S., itself, was in the midst of a depression.

Stagnant American factories snapped up Russian orders for machinery, spurred by Soviet promises of even larger orders to come. Russia, in 1930, was the sixth-largest customer of the U. S., importing 114 million dollars' worth of machinery and other goods from America—at depression prices. Soviet agents, on one

visit, placed orders for five complete, large foundries.

At a time when there was growing unemployment in the U. S., Russia offered American engineers contracts at $10,000 a year and more, and paid $4,000 and more to skilled American workmen—far above depression scales in the United States.

In those days, the U. S. still refused diplomatic recognition to Russia's Communists. But vessels clogged the shipping lanes from New York to Odessa and other ports, transporting U. S. technicians and machinery to the Soviet Union. And Russia, at that time, was sending gold to New York banks as down payment for goods.

Altogether, it is estimated that 2,000 Americans were working in Russia in the peak year of 1930—and 44 U. S. firms were under contract to the Soviet Government at that time.

Americans who took part. Familiar names turn up on the list of Americans who helped Russia.

Ralph Budd, president of the Great Northern Railroad, traveled 15,500 miles through the Soviet Union inspecting railroads and suggesting changes to improve Russia's transport.

Montana's Thomas D. Campbell, who was the world's largest wheatgrower, went over at Moscow's invitation to "put the American idea of production into Russia farming." And a Russian farm group studied agricultural methods at his own ranch.

Most Americans visiting Russia in those years are described as not having been particularly sympathetic to Communism. Some just wanted to make money.

Others, however, were admitted Communists or fellow travelers. Harold Ware, who went over in 1929 to help Soviet farm bosses develop a 112,000-acre tract, was later named in congressional hearings as the organizer of a Communist spy ring in Washington.

U. S. aid, at its height from 1929 to 1933, built up a wide range of Russian industries—iron, coal and asbestos mining; aluminum and steel plants; the petroleum industry; and factories that turned out automobiles, tractors, fertilizer, paper, textiles, meat, chemicals and precision instruments.

A Detroit engineer built Russia's "showpiece" tractor plant in Stalingrad, and another in Chelyabinsk in the Ural mountains. Magnitogorsk, "the Gary, Ind., of Russia," was designed by U. S. engineers. They also built that city's gigantic Stalin steelworks.

Soviet welcome cooled. Throughout Russia, Americans taught capitalist production methods to thousands of Russian engineers and executives. Illiterate workmen, unfamiliar even with simple tools, learned from American foremen how to handle complex machines.

—United Press

AMERICAN ENGINEERS AT WORK IN RUSSIA, 1932
. . . their salaries were high by depression standards

American business and industry, within a few years, helped boost the Soviet Union's electrical output five times, double its steel production, increase its coal tonnage two and a half times.

In later years, Americans were no longer as welcome in Russia as they once had been. Some U. S. technicians were arrested or expelled. At least one American, an aeronautical engineer, is still believed to be a prisoner in Siberia. And some U. S. firms have given up trying to collect the money owed them by the Soviet Government for services rendered in those days.

For Russia, however, American aid paid off handsomely. Russia, once a primitive nation, became a power to be feared by the rest of the world in later years.

That is why the present rulers of the Soviet Union are looking once more at the capitalist U. S.—hoping to pick up the techniques and machinery that will solve their troubles as those problems were solved under Joseph Stalin.

—United Press

DETROIT WORKERS (RIGHT) SHOWED THE RUSSIANS HOW
. . . in an American-designed automobile factory

ALL ABOUT THE EARTH SATELLITE

Why It's Planned—What It Will Do—How It Will Work

The earth is to get another moon—a man-made satellite.

To be launched by the U. S. sometime in 1957 or 1958, the satellite may even be able to report to earth by radio. Later models could scan the world's surface, send back pictures.

The experiment is viewed as a first step in the exploration of outer space, leading eventually, perhaps, to a space platform that can be occupied by living men.

Now the world is to get an earth satellite—a man-made object in space that will circle the globe every 90 minutes.

This satellite will be built by the U. S. As the first of a series, it is to be launched within two and a half years.

Here will be another step in the march toward a platform in outer space—man occupied. Rockets even now penetrate space hundreds of miles above the earth. Guided missiles are in development that can range from continent to continent far up in the stratosphere.

No man-made object today, however, is located up in space—200 to 300 miles above the earth's surface—where it can stay and follow a fixed course around the earth as a satellite.

Objectives. The United States now is committed to create such an object. At first, equipped with instruments, it will observe cosmic and solar radiation, air density and velocity, and other scientific aspects outside the immediate atmosphere of the earth. Such information might be sent by radio back to the earth. Next, with information gained by small satellites, the way is expected to be opened to broader experiments—maybe involving photography of the earth below.

Earth satellites, in the future, may play a part in President Eisenhower's plan for arms inspection. That role, however, is regarded as quite far off.

Even further off is the creation of a space platform.

The idea of a platform in space—a large earth satellite on which men would live, with powerful weapons trained upon nations under direct surveillance below—is enthusiastically developed in science fiction. As of now, however, it is not regarded by practical scientists as within the realm of feasibility.

It is a much more limited objective that now is set by those who are to build the first earth satellite.

These satellites will be small—about the size of a basketball—and filled with instruments, but without any means of self-propulsion. There will be little resemblance to the complex guided missiles now being built for intercontinental travel.

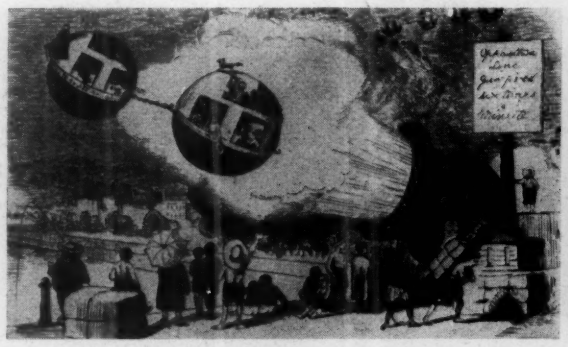
Launching. To get one of these satellites up to an altitude of about 200 miles above the earth—the height needed to travel around the globe without being pulled back by gravity—a separate, three-stage rocket is to be used. The first "stage" will shoot the missile up 12 to 15 miles above the earth. The second will take it most of the rest of the way. Then the third rocket will give it a sidewise "shove" to start the satellite on its orbit around the earth.

There is no question about getting rockets powerful enough to raise the object to its 200-mile-plus altitude. Already, multiple-stage experimental rockets have been fired by American technicians at White Sands, N. Mex., that have reached altitudes of 250 miles above the earth's surface.

Speed of the object as it travels around the earth is to be almost exactly 18,000 miles an hour. Any less than that, and the satellite will be pulled back to earth by gravity. Any more, and momentum will shoot it off into outer space.

Unlike the space platform of science fiction, these satellites will not be able to go around the earth indefinitely with no further attention, however. At this distance from the earth, there are still enough traces of the earth's atmosphere to create some friction, act as a brake to slow down the satellite's speed.

SPACE TRAVEL: IS THE TIME DRAWING NEAR?



IN THE 19TH CENTURY, A DREAM

An ingenious inventor's idea was to load passengers into a large cannon and shoot them into space

—Bettmann Archive, United Press

IN THE 20TH CENTURY, A REALITY?

At a New York exhibit, reservations were taken for space flight, leaving Central Park on March 15, 1975

perity. In 1952, when he worked little or no overtime, his income before taxes was $3,730.85. The next year, through overtime, he got $4,579. Last year, with vastly more overtime, his earnings rose to $5,978, with income after taxes coming to $5,430. This year he may not put in as much overtime, but he recently received a wage increase and expects to make more than $5,000.

However, the $5,000 and more that Mr. Brackett receives in wages is only part of what the company provides for him. He has life insurance, hospital insurance, sickness and disability benefits, pension rights and unemployment benefits.

His hospital insurance will pay all hospital costs for himself and members of his family, plus medical costs in the hospital of $5 a day for 70 days. His health insurance promises him $52.80 a week for 26 weeks if he becomes ill or disabled. His life insurance amounts to $4,400. For these benefits he pays $8.54 a month, or $102.48 a year. That comes to around 40 per cent of the cost of this protection. The remainder is paid by the company. He also pays union dues of $2.50 a month, with an occasional special assessment.

If Mr. Brackett continues with Ford until he retires at age 65, he stands to get as much as $237.05 a month. Of this, Social Security benefits, for which he pays $84 a year and the company a like amount, will amount to $162.80 a month, assuming both Mr. and Mrs. Brackett are eligible for the benefits. In addition, the company will pay him $74.25 a month under the present pension plan.

Layoff protection. The employe also is protected in the event that he is laid off for a while. He is entitled to unemployment benefits from the State and, a year hence, can get additional payments from the company under a union contract recently negotiated. These benefits can run up to 26 weeks, beginning a week after the layoff starts.

Under this contract, Ford employes are guaranteed 65 per cent of their normal take-home pay—pay for 40 hours a week, after taxes—for four weeks and 60 per cent for an additional 22 weeks. For a worker in Mr. Brackett's pay scale this comes to $53.48 for four weeks and $49.37 thereafter. Actually, Mr. Brackett would do a trifle better than this because he has a large family—wife and four children—and the State of Michigan would pay him $54 a week for 26 weeks.

On this basis, Mr. Brackett figures that he could meet all his essential needs for as long as six months, if that ever becomes necessary.

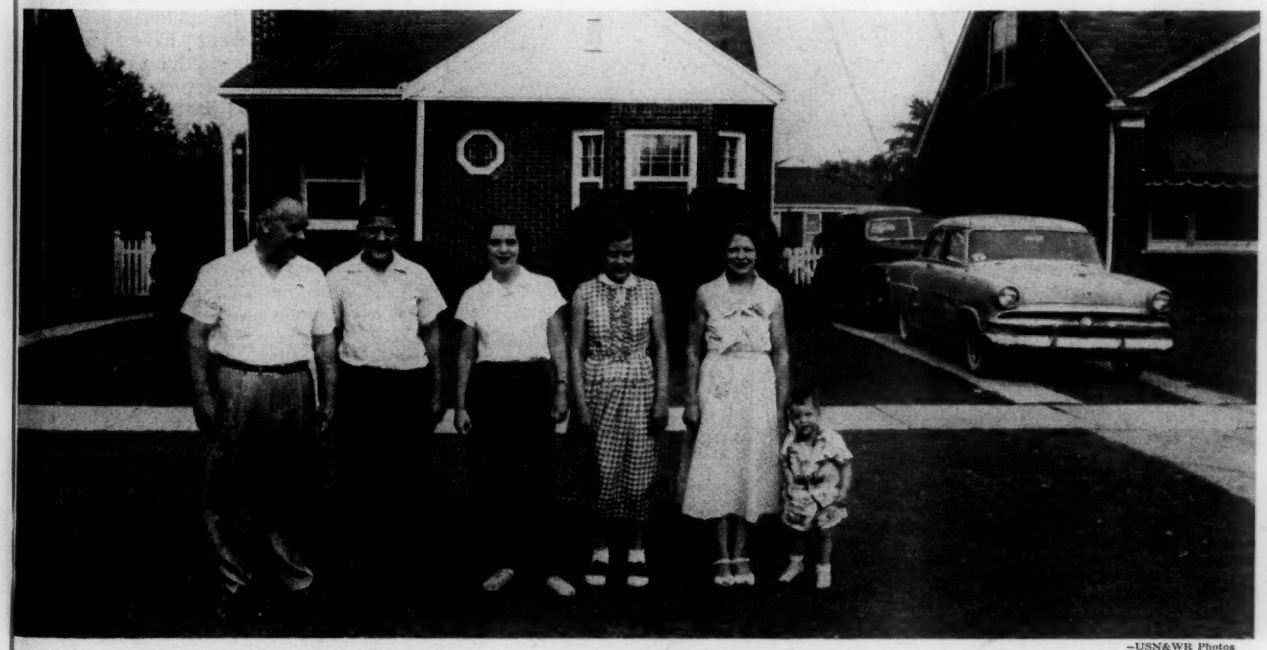
Actually, Mr. Brackett and most other industrial workers are protected financially from the ordinary hazards of life. They are assured some income when they are sick or injured, when they are laid off, when they retire. They get hospital bills and some medical bills paid when they are ill. Their wages can go almost entirely to maintaining a high standard of living.

Playground, swimming pools. The Brackett family's standard of living without doubt would astonish an industrial worker in any Communist country. Their home is a two-story, six-room suburban house in West Dearborn, typical of this community of industrial workers. All the homes have deep front lawns, uniformly well tended, and large back yards. There is a playground a block away, and there are swimming pools in the neighborhood.

The Brackett neighbors include production workers, inspectors, draftsmen, and a tool engineer. Most of them work for such companies as Ford, Great Lakes Steel Corporation, the Detroit, Toledo and Ironton Railroad and tool and die shops. They moved to West Dearborn to raise families. That's why the Bracketts went there. They have four children—Mary Elizabeth, a 19-year-old college student; Thomas, Jr., a 16-year-old in high school; Michaeleen, 13, in junior high school, and Gregory, 2.

The Brackett home, like the others in the suburb, was built just before World War II. Mr. Brackett bought it five years ago for $12,000, making a substantial down payment from the proceeds of the sale of a former home in Detroit. He is paying off a $7,500 mortgage, guaranteed by the Federal Housing Administration, at the rate of $61.50 a month.

The house is comfortably furnished and is heated by natural gas, which is rather inexpensive in the Detroit area. The Bracketts have a telephone and a



—USN&WR Photos

LINE-UP AT HOME: Mr. Brackett (left) and his family pose before their suburban home

pages 25-28 missing when received

[continued]

WHAT ELSE RUSSIANS COULD SEE IN U. S.

OFF TO WORK: Mr. Brackett drives his 1953 Ford

ON THE JOB: He earns more than $5,000 per year

host of home appliances, including an electric refrigerator, an automatic electric washer, a vacuum cleaner, electric iron, electric toaster, electric coffee maker and a broiler. There is also a television set and several radios.

The latest additions are a gas clothes dryer, and a new gas range. These were bought with cash from funds the Bracketts had saved as a "strike reserve." When the latest union agreement was reached without a strike, the need for keeping cash reserves was ended.

Car paid for. The family car is a 1953-model Ford sedan. Mr. Brackett bought this new, late in 1953, on time payments. Now it is paid for. That helps to account for some of the recent appliance purchases. Mrs. Brackett explains that "the year when there's no car payment to make is the year we do something for the house."

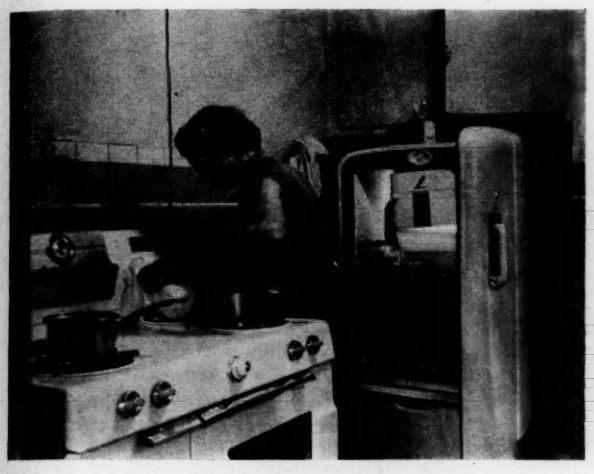
The Bracketts drive a great deal. Mr. Brackett drives daily to his job, five miles from home, and they use the car for Sunday outings and vacation trips. This practice, too, is typical of industrial workers. So many of them drive to work that hundreds of thousands of cars are parked daily outside of the nation's factories.

Mr. Brackett plans to trade his car next year, for a 1956 model, provided he continues to draw considerable overtime pay. If overtime should end, he plans to keep his car for another year.

In addition to their high standard of living, the Bracketts have ambitious plans for the college educations of their children. They were prepared to send their eldest, Mary Elizabeth, to a college in the Detroit area, where tuition rates for Michigan residents are low. She changed their plans, however, when she won a Ford Motor Company scholarship, which enabled her to go to Bryn Mawr College in Bryn Mawr, Pa. The scholarship is one of about 70 that are awarded each year, after competitive examinations, to sons and daughters of Ford workers. It pays her tuition and a large part of her living costs for a four-year course.

The Bracketts feel quite confident of sending their other children through a college near home without scholarship assistance.

Many economies. This program, on a $5,000-a-year income, is feasible because the Bracketts practice many economies to stretch their income, and because the numerous security protections provided by the company reduce the need to set aside reserves for unexpected emergencies.



IN THE KITCHEN: Mrs. Brackett is aided by a host of home appliances like these

AT THE GROCERY: The Bracketts shop for bargain "specials," pay cash for purchases

Mr. Brackett, for example, almost never loses pay by staying away from his job and puts in all the overtime he can to build up his pay check. Until the July 4 holiday, he had not taken a weekday off in six months. He also avoids virtually all home-repair costs by doing the jobs himself. When he is not qualified, he swaps services with a neighbor. He may get an electrician to help him by agreeing to paint the electrician's house. This type of swapping is common practice in a community of industrial workers.

Mrs. Brackett shops the supermarkets for bargain "specials," makes clothes for herself and the younger children, pays cash for almost all of the daily things she buys. She does nearly all of the family's baking and laundering, and cans about 500 quarts of fruits and vegetables a year.

Installment purchases are held to a minimum. The Bracketts follow a practice of running only one installment account at a time—a custom that seems to be common among auto workers. For most appliances and other expensive items they try to pay cash, after shopping around for discounts.

The family's recreation is simple and inexpensive. Mr. Brackett bowls with plant teams. When the Bracketts entertain neighbors it is usually for cards. They go out seldom, except for drives in the car. The television set has almost supplanted the movies for the family.

Mr. Brackett does, however, take his annual vacations of two weeks with pay—another feature of his job. This summer the family plans to drive to Northern Minnesota.

The Bracketts also manage to save a little money, but, because of a steady job and the security benefits that go with it, savings are made for such things as home equipment and college education. The Bracketts see no urgent need to lay aside funds for sickness, old age, or dire necessities. What has happened to the Bracketts is becoming typical of the situation of the average American wage earner.

AT DAY'S END: A television set provides inexpensive fun for the whole family

Does U.S. Want Dollar-a-Year Men?

Issue Raised: Public Service vs. Private Interest

Can a man serve the Government with undivided interest at the same time he is drawing pay from a private employer?

That is the question worrying officials concerned with how—or whether—the U. S. should use "dollar-a-year men."

So far, their work has won praise. But Congress wants to make sure they don't produce scandals in the future.

To hire, or not to hire "dollar-a-year men": That again is a problem bothering Government leaders.

Known also as WOC's, because they work for the Government without compensation and at the same time draw pay from their private employers, these businessmen long have been a center of argument.

Congress has moved to restrict the activities of WOC's, to make certain they do not favor their own business interests while in Government.

In addition, the Department of Justice and a House subcommittee are studying another angle of the question. They want to find out if the WOC's have done anything to enable various companies to take combined action that might create monopolies or violate the spirit of the antitrust laws.

Questions raised now, as in times past, include these: Can an individual accept pay from a private employer and, at the same time, serve the public with undivided interest? Is it reasonable to expect that a company will pay a high salary to a man while he is working for the Government, and yet not expect anything in return from him? Is there, in other words, likely to be a conflict of interest on the part of these men on occasions when the Government is regulating or dealing with the companies that pay their salaries?

Only 39 WOC's left. At the present time the Government is employing about 39 WOC's. Although they are popularly called "dollar-a-year men," the practice of paying them $1 annually was dropped after World War II. During wartime there were hundreds of them who drew the dollar-a-year pay. Since the start of the Korean war there have been, altogether, about 1,000.

Of those now employed, 28 are in the Business and Defense Services Administration of the Commerce Department, working mostly as assistant administrators, directors of divisions and chiefs of branches. The Defense Department has five—three of them being deputy assistant secretaries. There are three each in the Office of Defense Mobilization and in the Interior Department's Office of Oil and Gas.

They are not just consultants. They are full-time Government officials, making decisions and setting policies at the national level.

Their employers are some of the largest industrial enterprises in the country. In their own companies they are laboratory directors, engineering managers, communications directors, purchasing and sales engineers, general managers.

Actually, it is not just the WOC's who are being looked at critically. Also being investigated are the hundreds of consultants and advisers who do part-time work for the Government—more executives and specialists from big business. Some are paid, some are not. Many are in a position to influence policy a great deal.

Congressmen, too? The question of public service versus private interests involves Congress, as well as other branches of Government. Many Senators and Representatives maintain private connections from which they draw income—newspapers, law firms, various businesses.

Among full-time salaried officials the same question arises. Laws require that some of them dispose of stocks in corporations, while Congress permits others to keep them. Some hold their affiliations with business firms, others are required to sever them.

The problem of how to draw the line between business interests and official Government responsibilities is far from solved.

Administration leaders don't want to part with the services of the WOC's. They say they are giving invaluable assistance in various defense tasks, helping draw up plans for industrial mobilization, helping to push the present defense-production effort. The training in Government administration that they are acquiring, it is said, will enable them to fit quickly into important posts in wartime.

Fresh ideas. Charles F. Honeywell, administrator of the Business and Defense Services Administration, rotates his WOC's, keeps them on duty for only six months. New men from industry, he says, are constantly bringing in fresh ideas, information about new techniques and equipment. Career Government officials, he says, do not have such detailed knowledge of industry. He says they learn from the WOC's.

Why don't the WOC's give up their private jobs and go on the Government payroll? Replying to this question, Mr. Honeywell says the Government could get few of the men it wanted if they had to make such a sacrifice.

All earn much more than the Government would pay them. On Government salaries they could not maintain their normal living standards, could not meet such commitments as large insurance premiums and mortgage payments. Also, if they quit their private firms they would lose seniority, be cut off from retirement programs, stock-purchasing rights, profit-sharing bonuses.

No wrongdoing on the part of any of the WOC's now employed has been charged. But Congress moved to place some new restrictions on them, to be sure that nothing scandalous develops in the future.

Commerce Department's Honeywell (right) says "thanks" to three WOC's (businessmen who work without compensation) by presenting them with American flags

STANLEY ROUTER AND TOOLS COURTESY OF THE STANLEY WORKS

PROGRESS THROUGH ANACONDA METALS

A finer wire makes you a handier handyman

THE PROBLEM: From building an extra room in the attic to refinishing an auction bargain – today's homeowner often wants to do it himself.

To the power tool industry, this new urge has meant new problems. For earlier power tools were relatively heavy, with small power ratings. As week-end carpenters progressed from simple to more elaborate jobs, a need grew for tools that were more powerful – yet lighter and easier to handle.

THE SOLUTION: To get extra power called for *more* magnet wire in the motor. To keep the motor small and light, space taken up by the wire's insulation had to be reduced.

In its laboratories, Anaconda has worked constantly to reduce the thickness of magnet wire insulation and to increase its ability to withstand the heat of higher currents. The results have been spectacular. The combination of more copper per unit of space plus higher currents has made it possible to increase again and again the power of small tools.

THE FUTURE: Power tools – for "do-it-yourself" enthusiasts and for industry – will keep right on getting lighter, mightier and easier to handle. This is only one example of how Anaconda and its manufacturing subsidiaries – The American Brass Company, The American Metal Hose Division, and The Anaconda Wire & Cable Company – seek new and better ways of serving you with the most extensive line of nonferrous metals and products in the world. For help with *your* problem – call the Man from Anaconda. *Anaconda, 25 Broadway, New York 4, N. Y.*

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BALANCE— Foremost of Northrop achievements is an efficient organization well balanced between the poles of advanced research and economical production. Northrop scientists in physics, astronomy, metallurgy, electronics, aerodynamics, optics and many other fields are doing their work *years* in advance of the need. From this long-range thinking and planning within the Northrop complex have come the Radioplane Company's family of pilotless drones and missiles, first and foremost in their field; the Scorpion F-89 interceptors, present defenders of our heartland approaches; and Snark SM-62s, deadly intercontinental A-bomb carriers. As streamlined as its products, the well-balanced Northrop organization is at work on even greater weapons to strengthen this nation's defense... and is more ready than ever to develop and produce them efficiently and on schedule.

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HOW ONE INVESTMENT PLAN WORKS

Here's a Report on Dollar Averaging

You hear stories about big profits from a stock-buying plan called "dollar averaging."

It works like this: A fixed amount is invested each year in a selected group of stocks, no matter what they cost per share.

Investor's price, thus, is "averaged out" over the years.

Does that make the plan a sure way to amass money on stocks? This article gives you the facts.

Investment by the "dollar averaging" formula is attracting attention around the country.

This plan has produced spectacular results for some investors who followed it in years past.

As a result, others are asking questions about dollar averaging—what it is, how it works, whether it is a sure way to make money in the stock market.

In what follows, you get a report on this investment plan, with some guide lines—and a word of caution—for the man who now is thinking of using it for the first time.

How it works. You hear the formula referred to either as dollar averaging or dollar-cost averaging. Both terms mean the same thing.

The idea is simply this: A man selects a group of stocks, and invests in these stocks the same amount of money each quarter or each year over a period of time—say 10 years or more.

The investor continues these purchases year after year, always investing the same number of dollars regardless of what happens to the prices of his stocks on the market. When the market is high, he gets fewer shares for his money than when the market is low.

Thus, the prices he pays are averaged out over the years, through periods of bull markets and bear markets. Hence the term "dollar averaging."

This man is betting, in effect, that the time will come—either at the end of his investment period or later—when his stocks will be worth more than the average price he has paid for them.

He also gambles that, during the years when he is buying, there will be periods when stock prices are low, to be followed by a high market some time later when he or his heirs can realize his gains.

Why average? Those who advocate dollar averaging as an investment formula argue that this plan offers some protection against the common errors of "hit or miss" buying. The untrained investor, so the argument goes, is too likely to shy away from stocks when the market is low and concentrate his buying in periods when the market is high.

Furthermore, and this is the real appeal of dollar averaging, there is a quirk in arithmetic that can work to the investor's advantage—provided everything goes just right. A simple example will illustrate the point:

Say a man invests $10,000 in a list of stocks in a year when the market is high. The average price he pays per share is $100. For his $10,000, he gets 100 shares. The next year the market breaks, and the average price of his stocks drops to $50. Again he invests $10,000, and this time gets 200 shares.

Offhand, it would appear that, in the two years, he paid an average price of $75 per share for the stock he bought. Actually, he got 300 shares for $20,000, which means that his average price was $66.67. Reason: He bought more shares at $50 than at $100.

If the market rises later, and his shares again are priced at a $100 average, this investor will have $30,000 worth of stock for which he paid $20,000.

He has to gamble, of course, on whether this market rise will occur.

Record of the past. In the chart on pages 36 and 37, you find examples to show how investors, buying a wide selection of stocks, would have made out with dollar averaging in various periods of the last 30 years.

These examples assume well-to-do investors, each one putting about $17,000 a year into stocks, not counting commissions paid to brokers. This $17,000 is divided equally among 17 "blue chip" stocks. The 17 are these:

Allied Chemical & Dye, American Can, American Smelting & Refining, Bethlehem Steel, Chrysler, Du Pont, General Electric, General Foods, General Motors, International Harvester, Radio Corporation of America, Sears Roebuck, Standard Oil (N. J.), Texas Company, U. S. Steel, Westinghouse, Woolworth.

In all instances—with dollar averaging in each of the selected 10-year periods, as well as over the whole 30-year span from 1925 to 1955—investors would have wound up their stock-buying periods with substantial gains.

This would have been true of the man who started buying in 1925 and kept it up 10 years through the bull market of

—USN&WR Photo

AT THE STOCKBROKER'S OFFICE
Is regular buying safer than "hit or miss" investment?

the late 1920s and the grim years of the early 1930s.

It would have been true of the man who started in June, 1929, near the top of the market, and continued until 1939. It also would have been true of the man who started in 1935 and kept on through the war years until 1945.

The dollar averager of the period 1945-55, using the formula described here, would have made a profit, on paper, of $258,131 on an original investment of $169,909. Also, he would have drawn dividends totaling $74,213 in the 10 years.

The man who followed the same plan through all the 30 years from 1925 to 1955 would have more than quadrupled his money. In addition, his cash dividends would have totaled half again as much as his original investment.

Will the formula work now? Figures like the ones given here cause excitement, make people wonder if riches are still to be had by some such plan.

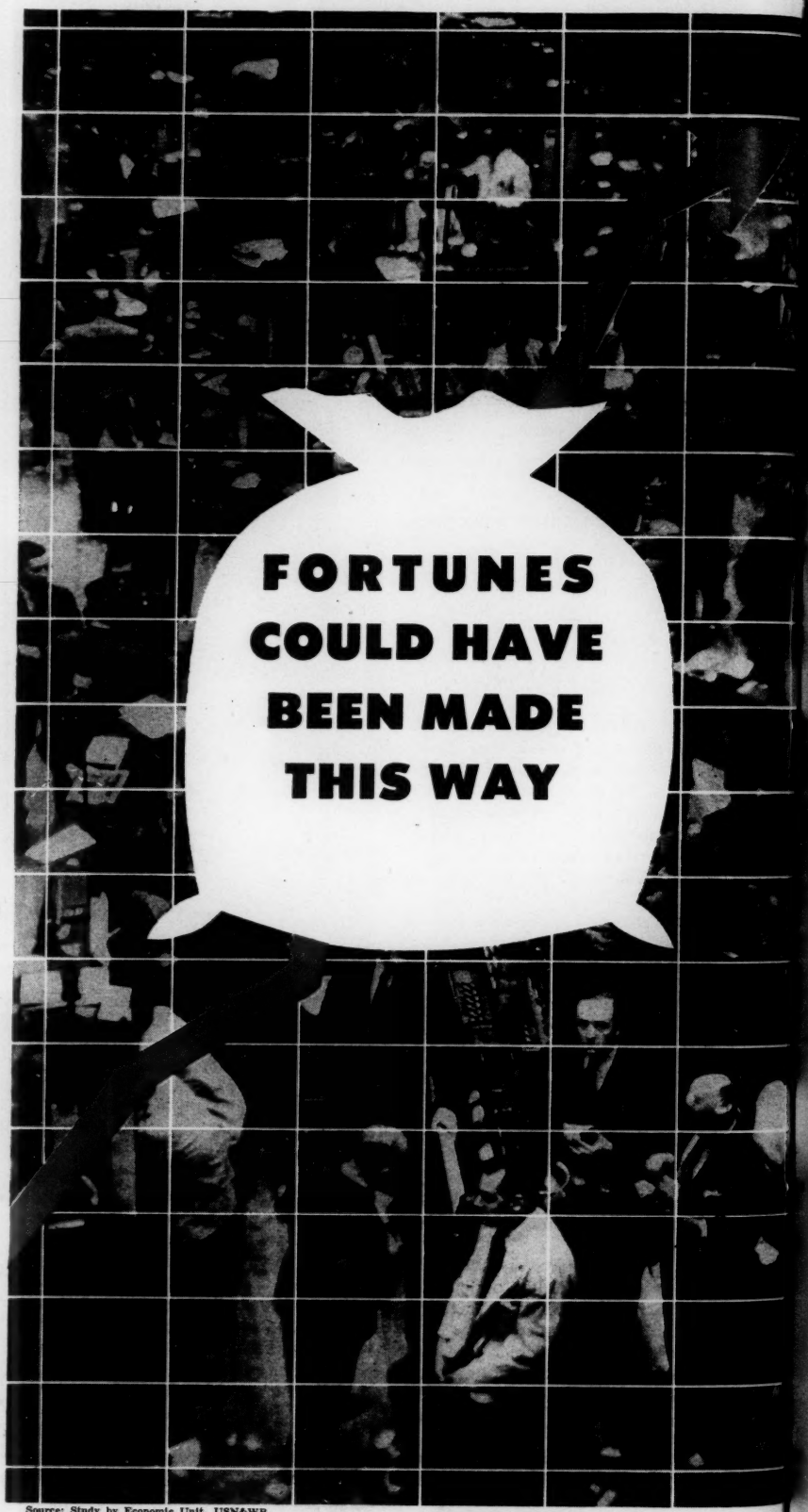
Nobody can be sure. Dollar averaging is recommended by a good many authorities as a means of reducing the risk of the untrained investor, but none of them argues that the plan removes the risk entirely—or that the past guarantees what will happen in the future.

In fact, with an unfortunate combination of stocks, a dollar averager would have lost money in certain periods of the last 30 years. Among the 17 issues used in the examples given here, five were worth less on the market in 1935 than the average price the investor would have paid for them during the 10 years from 1925 to 1935.

What about the smaller investor, the man who can put only $2,000 or $3,000 a year into a dollar-averaging plan? He goes about it the same way as the larger investor, but probably will have to buy fewer different issues. This means, of course, that the little man's risk is somewhat greater, since he is not able to diversify as widely as the big investor.

Investment counselors who recommend dollar averaging also make this point: A man who undertakes such a plan when the market is high should be prepared to see it through a period of years, certainly long enough to get the benefit of any reduction in stock prices that develops in a later bear market. One danger is that the investor, starting out when times are good, will set an investment figure that he cannot maintain.

Dollar averaging, like all formulas for investors, has its pitfalls. Despite this, the averaging plan has won a good many advocates among investment specialists in the last few years. These advocates insist that, while there is no magic in the formula, it works better for the average investor than his own hunches on what and when to buy.



Source: Study by Economic Unit, USN&WR

EXAMPLE:

Well-to-do man, regularly in June each year, invests roughly $1,000 in each of 17 selected "blue chip" stocks. He follows this plan for a period of years no matter what happens to stock prices.

RESULT:

Prices he pays for stocks are "averaged out" over periods of bull and bear markets. How an investor would have made out, using this plan for various periods of the past, is shown in the figures below.

Period	Total Amount Invested	Market Value, End of Period	GAIN, Not Counting Dividends	GAIN, Counting Dividends
10 years 1925-35	$169,797	$ 208,840	$ 39,043	$ 80,447
OR				
10 years 1929-39	$169,671	$ 230,391	$ 60,720	$ 116,816
OR				
10 years 1935-45	$170,199	$ 233,789	$ 63,590	$ 112,458
OR				
10 years 1945-55	$169,909	$ 428,040	$ 258,131	$ 332,344
OR				
30 years 1925-55	$509,906	$2,356,274	$1,846,368	$2,639,215

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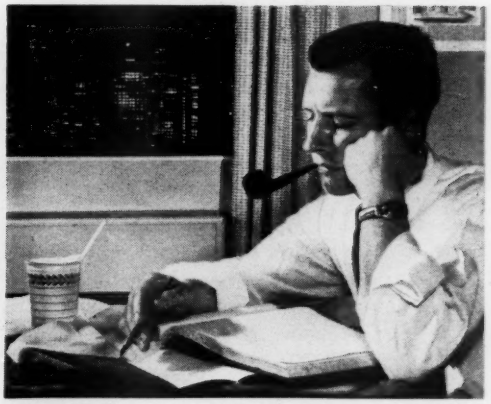

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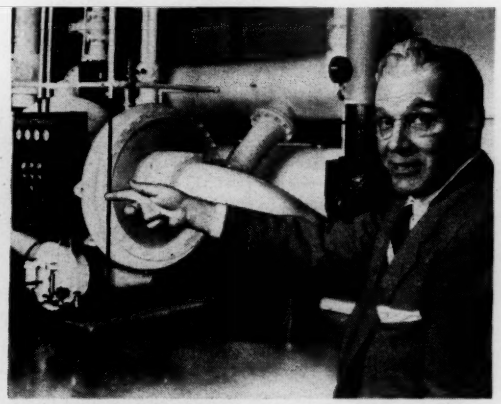

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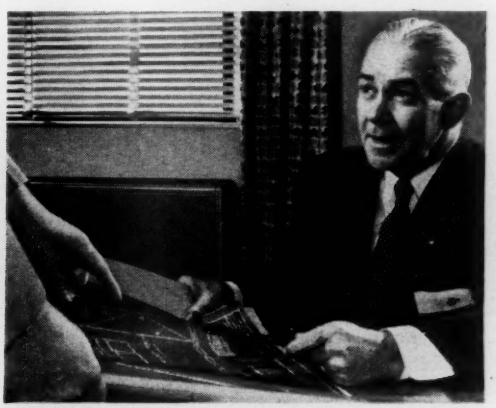

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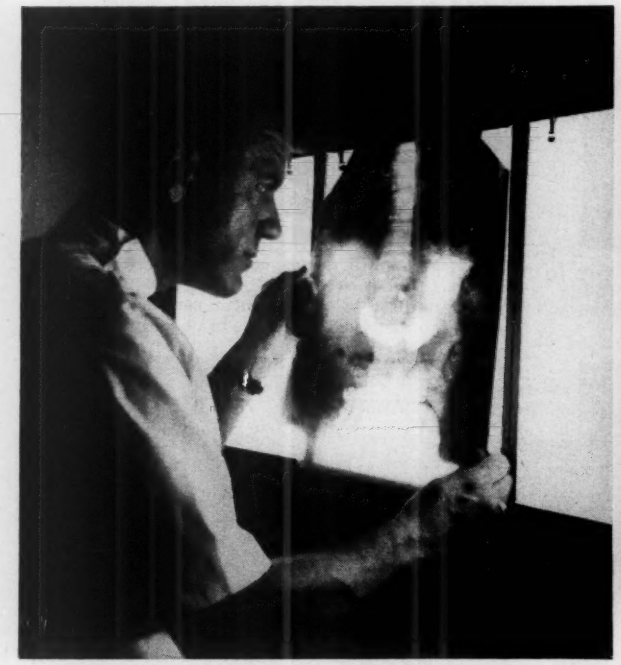

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FROM THE CAPITALS OF THE WORLD

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›› Russia's Communist bosses--jovial backslappers in their public dealings with Western leaders--are being brutally frank with them in private.

The following remarks come from notes taken at Geneva. The Russians didn't know their observations would ever become public. In that circumstance.....

Marshal Zhukov, talking with France's Premier: "You thought you could take home from Geneva the war booty of 18 million East Germans. That's not to be."

Premier Bulganin: "The German problem isn't ripe for settlement."

Party Boss Khrushchev, on Germany: "We have some trumps up our sleeve."

›› So, in figuring what will come out of the next Big Four meeting.....

On the top issue, Germany, Soviet Russia can be expected to stand pat. It doesn't propose to budge an inch. It figures time is on its side. It's prepared to wait 10 years for a settlement. October 1965, maybe. Not October 1955.

On arms cuts, the Kremlin is somewhat more willing to talk. The arms race has begun to hurt. Also, Moscow worries about U.S. bases, bombs, bombers.

On international Communism, Soviet leaders refuse even to talk.

This is the way Foreign Minister Molotov replied at Geneva to a complaint from Foreign Minister Pinay that Moscow is using French Communists to undermine France: "You control the police. Why can't you handle the Communists?"

›› It puzzles Soviet leaders to find France, three times invaded by Germany, lining up with U.S. and Britain in favor of a unified Germany.

In a private but blunt exchange between Khrushchev and Premier Faure.....

Khrushchev: "We don't understand you French at all. Of what interest is it to France to want Germany reunited?"

Faure: "It is not a question of what we want and what we would like. It is a question of being realistic. Reunification of Germany is inevitable. The only thing that remains to be determined is how, and under what conditions."

Khrushchev: "We don't believe for a minute that France wants Germany reunited. What you say is just propaganda. We know what you are up to. You are trying through your propaganda to win the hearts of the German people. Two can play at that game. We know something about propaganda, too."

France, from now on, can expect strong pressure from Moscow on the issue of Germany. Soviet aim, obviously, is to split France off from U.S., Britain.

›› For Germans, Moscow is preparing a special approach. A Western diplomat in Paris, an expert on the way the Soviets operate, puts it this way:

"It's to be a mass brain washing of the German people, using a technique the Communists often employ, a system of rewards and punishments.

(over)

"First, Chancellor Adenauer is invited to Moscow. This fools the Germans into thinking Russia is giving up East Germany, will now unify Germany.

"Then, the Soviet leaders at Geneva say, 'Let's wait 10 years before unifying Germany.' This, of course, makes Germans sink into abject pessimism.

"But the effect is to focus all German eyes on Moscow and convince Germans that the Russians alone hold Germany's fate. After a while, every Soviet move will be followed as closely as a dog watches the master who feeds it.

"Eventually, after the brain washing has continued a few years, Moscow hopes that the Germans will sit up and bark at its command."

This seems to be Moscow's approach to the Germans. No conclusive results are expected, however, until after Chancellor Adenauer has left the stage.

>> The French are up to their necks in trouble in North Africa. Instead of quieting down, things keep getting worse. This is now the situation:

More French troops are protecting North Africa than protect Europe.

Still more troops are being moved in to fight rebels and terrorists in Algeria and Morocco. Forces are diverted from both Europe and Indo-China.

Troops in North Africa now total about 150,000, or nearly 10 divisions.

Troops in Europe, earmarked for European defense under the Atlantic Pact, have been whittled down to about three divisions. Minimum, under France's treaty commitment, is four. French reserve divisions, ready for mobilization within 30 days, are down to three. Nine are required for European defense.

France, in effect, is borrowing strength from the European defense system to meet an emergency in France's North African empire.

This troop borrowing, French officials say, is temporary.

Other officials, after a look at North Africa, doubt it. And France's allies in Europe wonder who is to replace the troops "on loan" in Africa.

>> Paris, in addition, hears rumors about troop morale in North Africa.

Indo-China veterans, for one thing, have brought unhappy memories to their new assignment in North Africa. Some have doubts about French colonial policy.

Police duties put a further strain on combat troops. Casablanca police have been found corrupt, unreliable. Troops have to take on police chores.

Two sets of terrorists make the military job difficult. Something like a civil war is going on between Arab extremists, demanding independence, and the French settlers opposing independence and often taking law into their own hands.

Paris policies, at same time, haven't jelled. Nobody can be sure whether the French Parliament will finally vote more home rule, or more French force.

Troops in North Africa, meanwhile, are on the spot. So is France.

>> Premier Nehru of India, who has been known to lecture other nations about imperialism and colonialism, is quietly latching on to a piece of real estate that his neighbors in Pakistan say really belongs to them.

Kashmir, or at least the part of it in dispute between Pakistan and India for years, is slipping into Nehru's hands. A United Nations plebiscite, giving people in Kashmir a chance to choose, is all but forgotten.

Nehru's way, less direct than a plebiscite which India might lose, is to bypass the U.N. and gain control of two thirds of Kashmir with troops, politicians, subsidies, investments.

Now, Nehru's grip on Kashmir probably can't be shaken, short of war.

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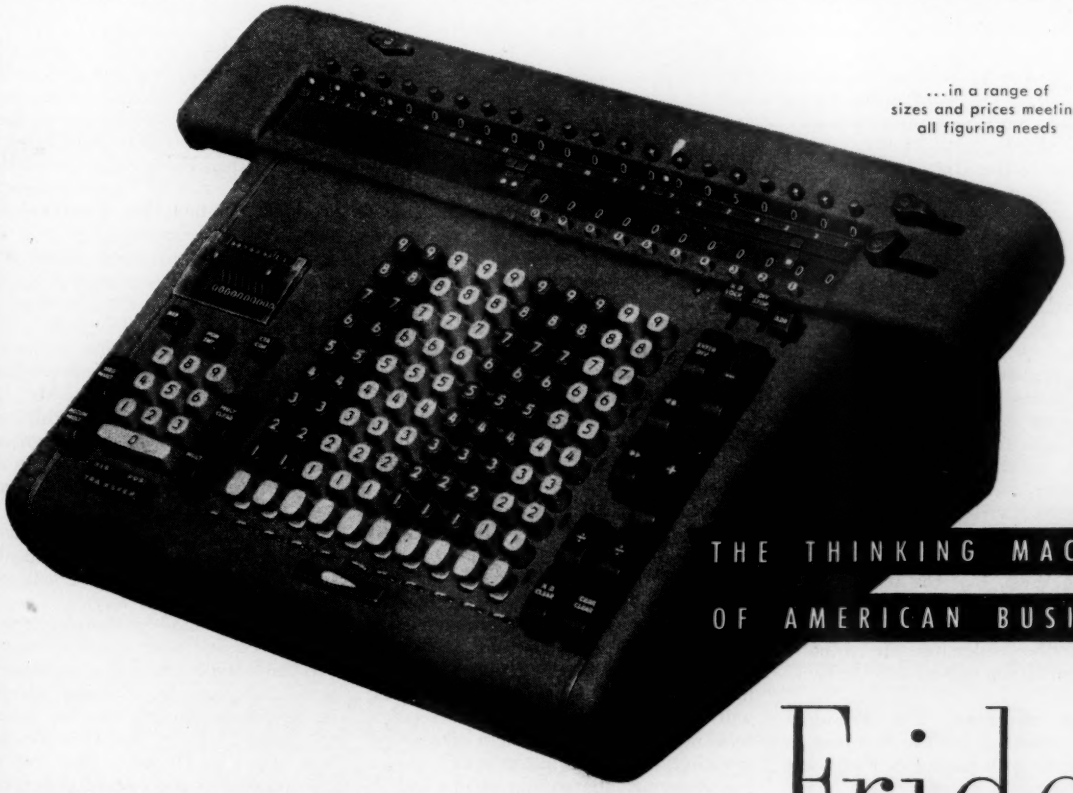

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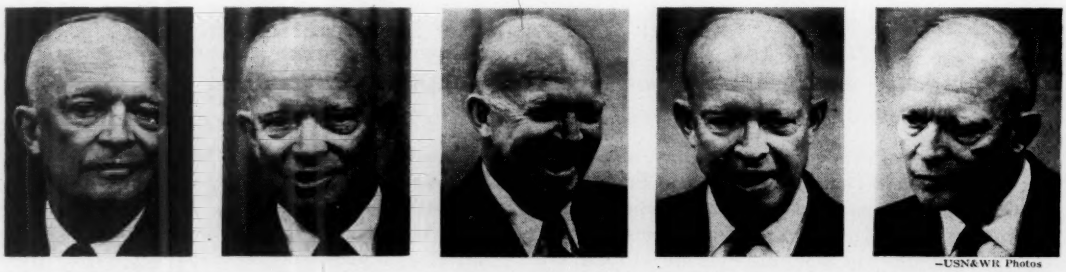
955

THE MAN... President Eisenhower **THE NEWS... Peacemaker?**

Even the Russians "Like Ike" These Days

With a new formula, a new approach, Mr. Eisenhower becomes spokesman for the Western nations in dealing with Russia, takes over Sir Winston Churchill's role.

And the President, absorbed in peace negotiations and maneuvers that are to take years, now is counted a virtual certainty to seek a second term.



—USN&WR Photos

PRESIDENT EISENHOWER, it now turns out, is replacing Sir Winston Churchill as a leader with a world following. Even the new rulers of Russia, at this point, are saying complimentary things about the President of the United States, and permitting such statements to be printed in their newspapers.

When Britain's Sir Winston stepped down from office earlier this year, there were many who expected that Sir Anthony Eden, the new Prime Minister, would emerge as spokesman for the Western nations in their dealings with Russia. Sir Anthony was a polished, experienced, professional diplomat. He had shown aggressiveness in earlier conversations with the Russians.

To many minds this seemed to give him a stature overshadowing that of some other Western leaders. It was at Geneva, however, when top leaders of Russia came face to face with the top men of the West, that the real ranking of the personalities came out. Mr. Eisenhower, participants at Geneva agree, moved into the leadership. Sir Anthony sensed the situation, moved into the background.

Russians charmed. The President seized the initiative, left the Russians on the defensive, with proposals that there be an exchange of defense plans, aerial inspection of defense preparations. At the same time, in personal contacts, he somewhat charmed the Russian leaders.

Mr. Eisenhower, bluntly, straightforwardly, stated the problems and the U. S. viewpoint on them. At the same time, with obvious sincerity, he made it clear that the U. S. would never undertake an aggressive war, emphasized his opinion that the problems could be settled peaceably.

Coming from the spokesman for the world's most powerful nation, his viewpoints and attitudes seem to have caught the imagination of people in many countries. This is especially true in Europe, where—in virtually all quarters—the opinion was expressed that Mr. Eisenhower's standing and prestige are higher than at any time since he led the Allied armies in the defeat of Germany.

However, there is more than appears on the surface in the effects that may flow from the President's new position of world leadership.

In the aftermath of Geneva, the President is deeply and personally involved in peace moves. Ahead lies a long period of intricate negotiation and maneuver. This may take years. Yet, within a year, Mr. Eisenhower must announce whether or not he will run again for President.

Second-term draft? It is being taken for granted by politicians, now, that he will consent to be drafted for a second-term nomination, in the light of a world situation in which his personal moves for peace may be so important. And, if he runs, few doubt that he would win on a "peace and prosperity" platform.

As a matter of practical politics, Republican leaders are expressing much encouragement. The President's popularity remains high throughout the country and the polls have not yet measured the increased prestige that these leaders expect to result from his activities abroad.

Politically, there has been little criticism of the President's proposals at Geneva, no cries of "appeasement." As President, in fact, Mr. Eisenhower has made very few enemies. Criticism of his Administration has been aimed at the men about him, very seldom at the President himself. Even the Russians "like Ike."

In one cozy conversation at Geneva, a Soviet leader expressed the hope that the President would run again. Mr. Eisenhower revealed this incident, himself, in reporting on Geneva to congressional leaders. The President said that, in reply, he simply smiled, and the Russian smiled back understandingly.

In any event, the quest of peace has become, his associates say, the goal that supersedes all others. One friend of the President puts it this way:

"Ike was elected by the people to give us some peace after years of war. The President feels this responsibility tremendously and he is doing everything in his power to carry out the wishes of the people. I know this. I have talked to him about it. He feels that this is his dominant role, the role of peacemaker."

New type of peacemaker. Mr. Eisenhower brings into big-league diplomacy a new personality, a new manner, a new approach to the problem of dealing with

(Continued on page 46)

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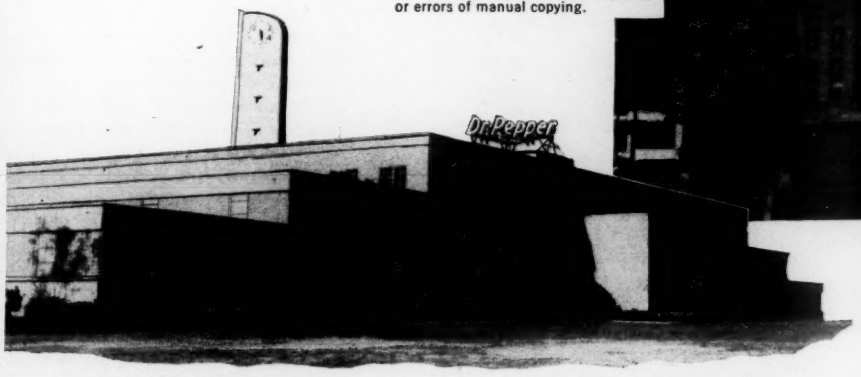

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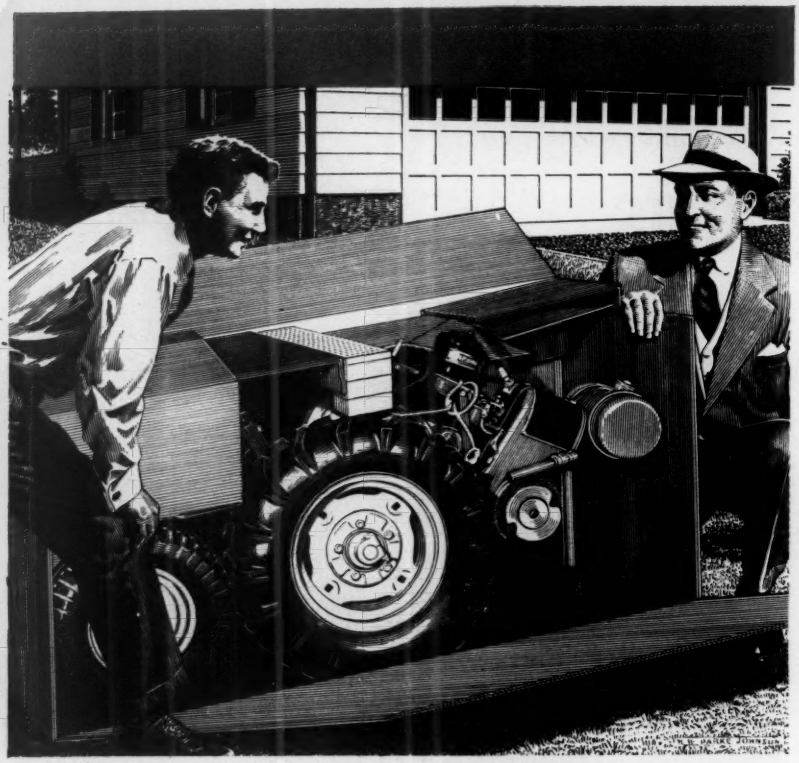

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President talks "cold turkey" to diplomats . . .

the Russians. The President's way is to leave the professional diplomats in the background, avoid the complexities of diplomatic language, be himself and meet the Russians halfway.

It is this attitude, as displayed at Geneva, that caught the world's attention and marked the President as the West's new leader. The Russians set out to capture the President, but, instead, to some extent at least, were captivated by him and his easy, open manner. A close associate of the President at Geneva has this to say:

"Ike was obviously the dominant figure at the 'summit.' He was something new. The English and French were diplomats, professionals. But Ike was acting like just an ordinary American with a story to tell. He had frankness and sincerity and his language was simple. It was typical Eisenhower.

"He made a great impression on the Russians. They told me so. Members of the delegation, the Russian delegation, came around and pointed out how impressed they were with the President's frankness and sincerity. Ike didn't hold back, not for a moment. He talked cold turkey at those dinners. But the Russians admired him for the different tone he put into those meetings.

"At one private dinner Ike trapped the Russians into an admission of their own weaknesses. The President argued that a reunified Germany could choose its own allies. He said that a freely elected German Government would be free to choose East or West. The Russians answered by saying: 'Yes, but they will always choose the West.'

"The last night before the Conference ended, the British and the French were pessimistic. They wanted to issue statements that the Conference had been stalled by the Russians. They wanted us to do the same. But Ike wouldn't have any of it."

Such are the methods that Mr. Eisenhower brings to the renewed search for peace. He does not seek to drive hard bargains. If he has his way, there will be no more tirades at the conference table, but a small-step-by-small-step approach to a more stable world situation.

Trip to Russia? Most of the work that lies ahead will be done by the diplomats. But it will be done under Mr. Eisenhower's close supervision. Some think that, since Geneva, he now is in a position to intervene personally with Moscow leaders, when deadlocks arise at lower levels. And a possibility has arisen that Soviet leaders may visit the U. S., Ike

. . . Ike has developed a liking for politics, too

visit Russia. Further "summit" meetings may be held.

Mr. Eisenhower has been learning his job by doing it. Those who have followed his activities think that for several months now he has been showing himself at ease in his work, even has developed a liking for politics, a subject that at first he disliked.

He prefers to handle the really big problems and subjects, both foreign and domestic, leave the lesser problems to others. When that can be done he enjoys his work. When minor matters reach his desk and he must handle them personally, he grows irked.

More time to think. White House aides are doing everything possible to limit the demands on his time, provide a lighter work schedule. This is for the double purpose of protecting his health and allowing more thinking time for the big problems. The number of his appointments has been limited.

The President now sees two or three fewer people each day than he did six months ago. An effort is made to space important appointments throughout the week, to avoid giving him a day that is completely filled with important callers and issues.

White House aides say that their staff work in the past sometimes has been "pretty sloppy," that questions have gone to Mr. Eisenhower's desk with staff work incomplete. When that happens valuable presidential time is wasted, time that otherwise could be devoted to the big problems. An effort now is being made to tighten up the staff work.

The result is that Mr. Eisenhower now has more time for thinking. This helped prepare him for Geneva, his aides say, and will help in dealing with the problems of the future.

Actually, Mr. Eisenhower is scarcely new to diplomacy. Up until a few years ago, foreign affairs, rather than domestic matters and politics, was his field. Much of his adult life was spent abroad. Diplomacy played a large part in his jobs as Supreme Commander, Allied Powers Europe, in World War II, and as Supreme Allied Commander Europe, with the North Atlantic Treaty Organization.

Now, he brings a new touch to postwar diplomacy. Many observers see an improved opportunity for the solution of the world's problems. Success, however, always is considered uncertain, because so much depends on the unpredictability of Russian attitudes. But the opportunity is there, and Mr. Eisenhower, by all accounts, is bent upon seizing it.

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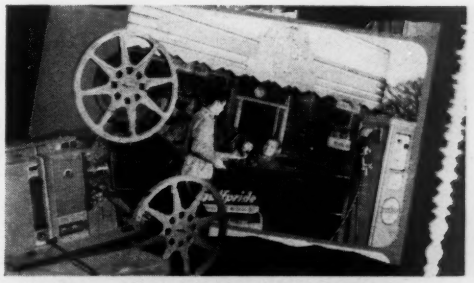

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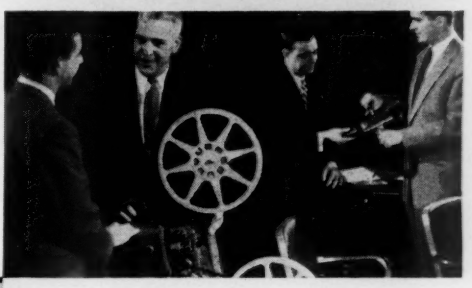

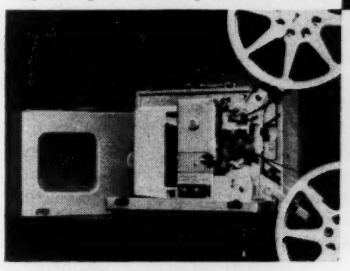

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Interview with HERBERT HOOVER

Chairman, Commission on Organization
Of the Executive Branch of the Government

"GOVERNMENT IS TOO BIG"

The U. S. Government, in 20 years, multiplied 14 times in size. Was all this growth really necessary? Or has Washington taken over jobs that ought to be left to the States—or to private enterprise?

Such questions are discussed by Herbert Hoover in the following interview with the Board of Editors of *U. S. News & World Report*.

Mr. Hoover, at 80, speaks from many years of experience as Cabinet member, President and adviser to Presidents. He headed a commission that just completed a study of the Government's executive branch.

In this discussion, Mr. Hoover applies to federal operations a philosophy evolved in a lifetime of public service. He raises some fundamental questions about how far the Government should be permitted to expand.

Q As you look over the work your Commission has done, Mr. Hoover, how would you describe the main purpose? Was it to save money for the taxpayer through more effective use of appropriations?

A In the Commission's work, the large majority favored the philosophic foundation under which we would operate. It's very simple—that the whole social-economic system of this country is based on private enterprise, properly regulated to prevent unfair competition and to prevent monopolies; that the Government should provide those services which the people cannot do for themselves. And with that test we examined all the agencies as to whether they were violating those principles. That part of our work was not so much a matter of savings as strengthening our vital structure of individual, State and local government rights.

Q And you found many instances in which the Federal Government—

A About 3,000 cases of the Government being in business enterprises in direct competition with the citizens.

Q Would it be a catastrophe if the Government ceased to be in those businesses?

A I think the functions could be performed better by private initiative.

Q Do those 3,000 cases include the public power facilities?

A They would. I might say, however, that we made no recommendations that they should be sold, because it's impractical, and, in any event, we didn't approach the problem from that point of view.

Q Do you find that Government tends to encroach more and more if given the chance?

A To answer that I'll give you a little background. Most of these business enterprises in the Government were born of emergency and war. When they came out of their immediate task and had it done, they ought to have quit, but they were equipped with a large bureaucracy, in love with an empire, and they had behind them a pressure group, in every case, of business people or some pressure group who were benefiting by it.

Therefore, there has been consistent opposition to their dissolution. With the instincts of a vegetable they keep spreading and growing. They sometimes make an appearance of earning a profit. But they are exempt from taxation, most of them pay no interest to the Federal Government on capital invested. They pay no amortization of the capital advanced to them.

Q They don't pay any rent, either, do they?

A And usually no rent. And they don't pay any of the fringe benefits that come to the Government employes.

And they don't pay for the top supervision. If you apply such tests to these businesses, you will find they are all losing money, and, beyond that, if that particular function were carried on by private enterprise, then they would have to pay taxes to the Government.

It becomes difficult to calculate the saving. But it would amount to considerable.

There is a certain longevity in these things that I told you about. There is one of them that lasted for over 30 years—after the first World War—and lost money nearly every year.

Q What was that one?

A Mississippi Barge Lines.

Q Finally that was sold?

A Yes. I suppose the Government got a few per cent of what it had invested and lost.

Q What else has been your objective—the efficiency of administration?

A Well, we were trying to strengthen the philosophical foundations of our country; we were trying to bring about a reduction of expenses; we made no recommendation that would in the slightest degree injure the security of the American people, and we did nothing that would in any way disturb the justifiable social services to the country. What we were looking for was waste. We were not looking for revolution.

Q Have you found enthusiasm in Congress for your recommendations for savings?

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For Strong Nation, Private Enterprise . . . Only Tasks Of Government: Those the People Can't Do for Selves

A I couldn't say one way or the other. With the philosophical foundation I told you about a minute ago, I imagine that all the "left-wingers" in the Congress are opposed to everything that we suggested.

Q Aside from all the waste procedures and the competitive enterprises, do you find that the Government is attempting to engage in too much social-welfare activity and trying to do too much for people?

A No, I wouldn't make any broad statement like that. I've been in favor of old-age pensions and Social Security. I've been in favor of developing all the water resources in the country. I've had reservations about the way they did the latter, but I don't belong to the group that opposes all Government activity in the public interest.

Q Do you think there is a dividing line?

A Yes, and the dividing line is one of practical statesmanship and the Government limiting itself to undertakings which the people cannot do for themselves.

Q We've had for a number of years a trend toward expansion of social services by Government. Should that continue to expand?

A I really wouldn't like to answer that because I haven't examined it. Our examinations have been directed to what is, and not what is proposed.

Q Do you think the Government is too big today?

A Oh, I think the Federal Government is immensely too big. It has undertaken functions which ought to be left to the States and the people.

—USN&WR Photo

HERBERT HOOVER

Q You think that it's too many functions there, or that the Congress has loaded upon them too many burdens—which?

A I don't think that Congress has loaded it on them. I think the States and pressure groups have come here and got them out of the Congress.

Q What are some examples of functions that should be left to the States?

A In the history of this country, up to about 1920—1910, perhaps—the States and local communities did practically all of their own flood control and navigation work—all of the flood control, certainly. And now the Federal Government has been loaded with the whole works. That is a typical example of the States coming here and loading it off on the Federal Government. Any amount of flood control is local to the State. It's not interstate. Where it is interstate, it ought to be supported by the Federal Government.

Q Have they done the same thing with the indigent people, the poor?

A I would not say that what we were concerned with was their wasteful administration. There's a great deal of duplication in administration of the social field between the States and the Federal Government. Many States have old-age relief systems and the Federal Government has one, and organizations duplicate at many points.

Q You have been in the Government 35 or 40 years. What has impressed you most about the Government? Has it been a constant expansion?

A The major expansion of this Government has taken place in the 20 years before the present Administration. It multiplied 14 times its size. Its civil employes increased from about 600,000 or less up to about 2,400,000. The armed forces have increased from about 300,000 or 350,000 to 3 and a half million. Some of those expansions are absolutely necessary. Our defense today requires the present strength. I wouldn't denounce all expansion.

Q The State governments have increased at the same time—

A Yes, but not in the same ratio.

Q Now, in a broad-gauged way, how far have you come toward accomplishing the objectives of your commission?

A We have only just completed our recommendations. The Congress in setting up this Commission was guided by the success of the first Commission and the number of uncompleted tasks that it left behind. That Commission succeeded in about 70 per cent of its recommendations, but it took six years. In the first Commission we were practically inhibited from discussion of policies. This time the Congress wanted a study of the executive departments both as to functions and policies.

Q About their functions, was your aim to find out what these agencies are doing, or whether they are doing what they are supposed to do?

A Both. When we speak of functional examination, we mean, for instance, group study of all the agencies engaged in medical care or all the agencies engaged in lending, guarantees, loans or insurance. In the latter case we gave the country a summation of the national direct or indirect transactions.

Q And what did you find in that particular inquiry?

A We found that the Government has direct and indirect and moral liability for about 240 billion dollars. That does not include the public debt, nor the Social Security.

Q Does that include mortgages?

A The Government has a mass of securities for these loans, guarantees, etc., except perhaps the loans to foreign governments.

Q What assets would you say it had available to offset that?

A Well, there is a great mass of assets, and there are

(Continued on next page)

. . . "Fifty of 160 recommendations already adopted"

some reserves set up, but whether or not in time of a catastrophe or time of a depression you could collect on all those assets is open to question.

Q But has anybody ever in the Government pulled all this together and looked at it as a responsibility and seen whether it is working?

A Nobody ever put it together before. This is totally a new story.

WHO READS THE REPORTS—

Q Who reads your reports?

A We certainly tried to make the Commission report in readable form. We presented the discussions of each activity right at the beginning, hoping to get the public educated as to what kind and size of activities the Government is engaged in.

Q Congress, of course, should examine these reports, shouldn't it?

A Certainly, they are made at the request of the Congress.

Q What about the executive branch—who do you think in the executive branch ought to be designated to read all these reports and see whether any improvements can be made?

A You need to go back a little on that. There are about 350 recommendations in the Commission report, and about 160 of them, or something like that number, are purely administrative recommendations—that is, those which could be carried out within the authority of the present officials. On that problem the Bureau of the Budget is setting up a unit to see how far the departments should put them into action. Incidentally, the departments have already adopted 50 of them out of the 160. I imagine that we will have many more of the administrative recommendations adopted by the depart ents.

Q But there is no general manager in the Government of the United States to whom these reports should go for examination—you wouldn't expect the President to read these reports, would you?

A Oh, no.

Q Shouldn't he at least become familiar with them?

A I assume that it is the Budget Bureau and the different departments who will read and digest these reports.

Q There is an executive order requiring them to, is there not, sir?

A Not that I know of—except the Bureau of the Budget.

Q But there is no general manager in the Government whose business it would be to see that these things are properly distributed and properly allocated, is there?

A Except the Director of the Budget. Under the law, the Budget Director has a certain managerial function outside of his preparation of proposed appropriations. We have, I think, in five or six different reports recommended that the managerial function of the Budget Bureau should be strengthened and the authorities of the Director should be increased. Thus, there would be a sort of business manager in the Government. That would come about the nearest possible to what you are talking about. Of course, he is acting directly under the President; that is as far as we thought practical.

Q Do you think that the size of the Government can be reduced?

A We made a lot of suggestions about that. I don't know to what extent our recommendations would affect the number of employes. I am confident that it would decrease them. We didn't express it in those terms.

We have secured an estimate from each of our task forces of the savings that they believe could be made if their recommendations were carried out. The different task forces estimated about 8.5 billion dollars. That, however, is subject to a good deal of discount, because a good many of them overlap with each other.

The Budget and Accounting Task Force—which, by the way, makes one of the most revolutionary proposals in government accounting and budgeting—said that if their recommendations were carried out there would be about 4 billion dollars of saving. That included having a stronger management in the Bureau of the Budget to carry out the recommendations of the task forces.

The only statement on which I am willing to pledge myself is the statement in our final report, that, after all deductions are made for overlap or other reasons, there is still enough possible savings left to balance the budget and make a very substantial reduction in taxes. As a matter of fact, the budget would only require about 3.5 billion dollars, and a couple of billion in tax reductions would be well received. That is certainly far within the limit of the savings that are recommended in these reports.

Q Would action by Congress be necessary to effect those savings?

A In these recommendations there are about 160 legislative recommendations of which a good many would be necessary to make these savings. That doesn't require 160 separate bills, because many of them relate to the same agency. The drafting of legislation in the Commission may be of a little interest. The law setting up the Commission required that we draft legislation which would give expression to the recommendations of the Commission.

We set up a drafting unit under the retired head of the Senate Drafting Committee, with more men from those experienced groups. They will shortly complete drafting all such legislation. The Commission, of course, could not go over those drafts sentence by sentence. Therefore we furnish them to the committees and Congressmen who are interested merely as an aid from the Commission with the statement that they carry no responsibility.

Those bills are being introduced rapidly, as many Congressmen and Senators have applied for the drafts. I think something over 30 or 40 have already been introduced and sent to committees. Congress is giving serious consideration to the one on surplus property.

WHERE U. S. COMPETES—

Q Would the functions of the Government be reduced sharply?

A We are paring something out of many different functions—for instance, the Government enterprises in competition with private industry. I think there are 24 departments or agencies engaged in this field with about 3,000 competitive enterprises. We didn't have time to examine more than 1,000 exhaustively, but our recommendations would curtail about 1,000. Thus these recommendations would curtail the activities of many different agencies. I should think in that the Government could recover somewhere about 15 billions of invested capital. It would reduce the number of Govern-

ment employes. Naturally, private enterprise would need to employ more people.

Q What are some of the large assets involved? Are they in the lending activities of Government mostly?

A Our reports give such estimates. The recovery of capital would come most largely from the defense, lending and guaranteeing agencies. There are many sources for such recovery. For instance, the Government sets up a corporation and starts it off in business by subscribing its capital. That corporation turns around and invests part of that capital in Government securities. Thus the Government is paying interest on its own money, which amounts to a hidden subsidy to that agency.

There is about 500 millions of such money lying around. We said very emphatically that they ought to hand those securities back to the Treasury, diminish the national debt by that amount.

—Fairchild Aerial Surveys, Inc.

WASHINGTON: IT'S IN BUSINESS
. . . and its operations "keep spreading and growing"

There is another source of returnable capital. There are several lending, credit or insurance agencies which could be mutualized in the same fashion as was done in the Home Loan Banks and the Federal Land Banks and others. A premium was charged to the borrowers for loans. The premium was translated into stock of the corporation and given to the borrower. The result was that the Government received back its capital. The Government today has no capital invested in the Home Loan Banks or the Land Banks. There are several agencies where this could be done, and I think the Government could get back several billion of invested capital.

Q Would that show up in the debt?

A Why, sure. It would lower the debt because the Government had to borrow the money to invest it in such activities.

We recommend that a number of such agencies should go to the public market for their future finance. There are a number of Government activities which have established assets and earnings, such as electrical power and others. We followed the President's recommendation about the TVA [Tennessee Valley Authority], and recommended several activities instead of coming to the Treasury to get more capital. They could get it from the public, and at about the same rate that the Government pays.

There is another phase of savings in this area. Several agencies make loans at lower rates of interest than the Government has to pay on the money it borrowed to make these loans. This constitutes a hidden subsidy to those particular agencies and their beneficiaries. We recommended that the Secretary of the Treasury be authorized to set a rate of interest for all agencies which would be equivalent to the rate the Federal Government has to pay to get the money for them. There would be a considerable saving.

Q Your report pointed to Rural Electrification Administration and Farmers Home Administration—

A Yes. Also we recommended that many agencies be brought under the Government Corporation Control Act, in order that there should be more businesslike management, budgeting, auditing. Also we recommended that where there was authority to Government agencies to borrow from the Treasury, then these amounts ought to be carried openly on the Treasury's statements as contingent liabilities. They are not given a very prominent place at present. They amount to probably 4 billions.

SAVING: 150 MILLIONS A YEAR—

Q You said the recommendations of the first Commission were carried out about 70 per cent. How much of a saving did that involve, do you recall?

A I don't know. You could cite some specifics. We recommended the General Services Administration be set up. They show specific savings since they were set up of above 150 millions a year. We recommended many consolidations of agencies and other processes of economy which brought about savings.

The trouble with any estimates on those savings is that the Korean war and the "cold war" have intervened, and the budget went up about 40 billions at that time to as high as 75 billions. That obscured everything. Also many agencies that could have been shrunk up or eliminated were expanded to take care of those emergencies.

Q Then, if war is avoided now you can expect real savings?

A Real peace might reduce the budget by 20 billion a year.

Q Well, suppose we just avoided active war?

A We have made the statement that the present budget deficit could be eliminated and a substantial reduction in taxes made continuing our present security and other public activities.

Q Have you given any thought to the functioning of the President's Cabinet? These men have so much work to do in

(Continued on next page)

. . . "Suggestion: three in Cabinet with just the job of thinking"

administering departments, when do they have time to think as the President's advisers on national policy?

A We didn't go into that this time, but we canvassed that suggestion in the first Commission, and we set up just exactly the safeguards that you probably have in mind, and they've been carried out in some departments. For instance, I think we were the first to recommend that there should be more top under-officials in order to give the Cabinet officers more freedom of time to think. And my recollection is we recommended the reorganization of the National Security Council.

Q The National Security Council was set up in the first Defense Act. When did you begin functioning?

A My recollection is we recommended a reorganization of that setup.

Q Would you say that the present Cabinet members are able to devote time to policies other than their own departments under our present setup?

A They are supposed to advise the President on the general policies of the Government. I don't believe they have the necessary time to do it, but, nevertheless, that's one of their functions.

NEED FOR THINKERS—

Q Wouldn't we be better off if we had administrators for the departments and Cabinet members without portfolio to advise the President?

A I made a suggestion some years ago that it would be well to have about three Cabinet officers without portfolio, who would just have the job of thinking. They would need a little research staff and full liberty to call on all departments for information. Their job would be to think. I thought that would be a better scheme than trying to revolutionize the long-established Cabinet setup.

Q What would become of their thoughts? Would they transmit them to the President?

A Yes. They would be members of the Cabinet.

Q Isn't that what Harold M. Stassen, Special Assistant to the President, is doing?

A No, he is handling just one problem.

Q Isn't that, in effect, what the White House presidential staff does?

A They may. But we had the concept that you might get three eminent, experienced statesmen of long governmental experience, rather than a group of specialized youngsters, although they would be needed also.

Q Isn't that part of the system now at the White House in Special Assistants Joseph M. Dodge and Nelson Rockefeller?

A They, too, have specific responsibilities. That isn't the point. We wanted men free to do the broad thinking.

Q Was it your idea that they should be able to deal with the entire national policy—whether it's taxation today, polio tomorrow, and foreign policies next day—providing constant assistance to the President?

A Well, I thought that if it were at the Cabinet level and they were men of stature it could have an influence on the broad policies of the Government and be of great assistance to the members of the Cabinet.

Q One of the great deficits of the Government is in the Post Office—did you have any specific recommendations there?

A Only one. We recommended they put up their rates on parcel post such as to pay its expenses. It is competing with private enterprise and it is a carrier of advantage to a special group. The entire structure of the Post Office was entirely reorganized from the recommendations of the first Commission. The present Postmaster General has put all of our first Commission recommendations into action.

Q But he is still not able to balance his budget because the rates aren't high enough?

A Well, he's got a deficiency, but he's got it in much better shape than it was.

Q Should the Post Office be made self-supporting?

A I wouldn't want to be arbitrary about that, because the original concept in setting up the Post Office was that it should be an educational institution for people at large as well as a carrier of communications. I have always, therefore, favored a low rate on second-class mail. I don't have any sympathy with losses on the third and the fourth classes and the auxiliary services.

Q What about first class? It carries its way—

A It carries its way. If you look at the early debates when the Post Office was set up, you'll find the intent in second-class mail was as I have stated.

Q Did you get as much co-operation when you were working under the Truman Administration as you're getting now, or an equal amount, or how would you describe the co-operation between the preceding Administration and this one?

A I had fine co-operation out of the Truman Administration. All of the departments did what we wanted them to do by way of information, and Mr. Truman supported the work of the Commission as a whole.

Q Would you say that somebody should take up and continue the study where you've left off—or should we stop now and digest it a while?

A I know that Congress would not have a continuation at present. They have enough to digest already.

Q Do you expect as much success with this second report as you got from the first one?

A I expect more, because we have a more emphatic public opinion behind us now.

WHY "LEFT WING" DISSENTS—

Q Why is Congress disinclined to go forward with this kind of work?

A Mind you, Congress has not had time yet to go into these matters. It required five years to effect the first Commission recommendations. Also, in view of our beliefs as to the foundations of our economic and social life, there is a very considerable element who are on the "left wing" side who do not believe in these recommendations.

Q What does the "left wing" want? What is their objective?

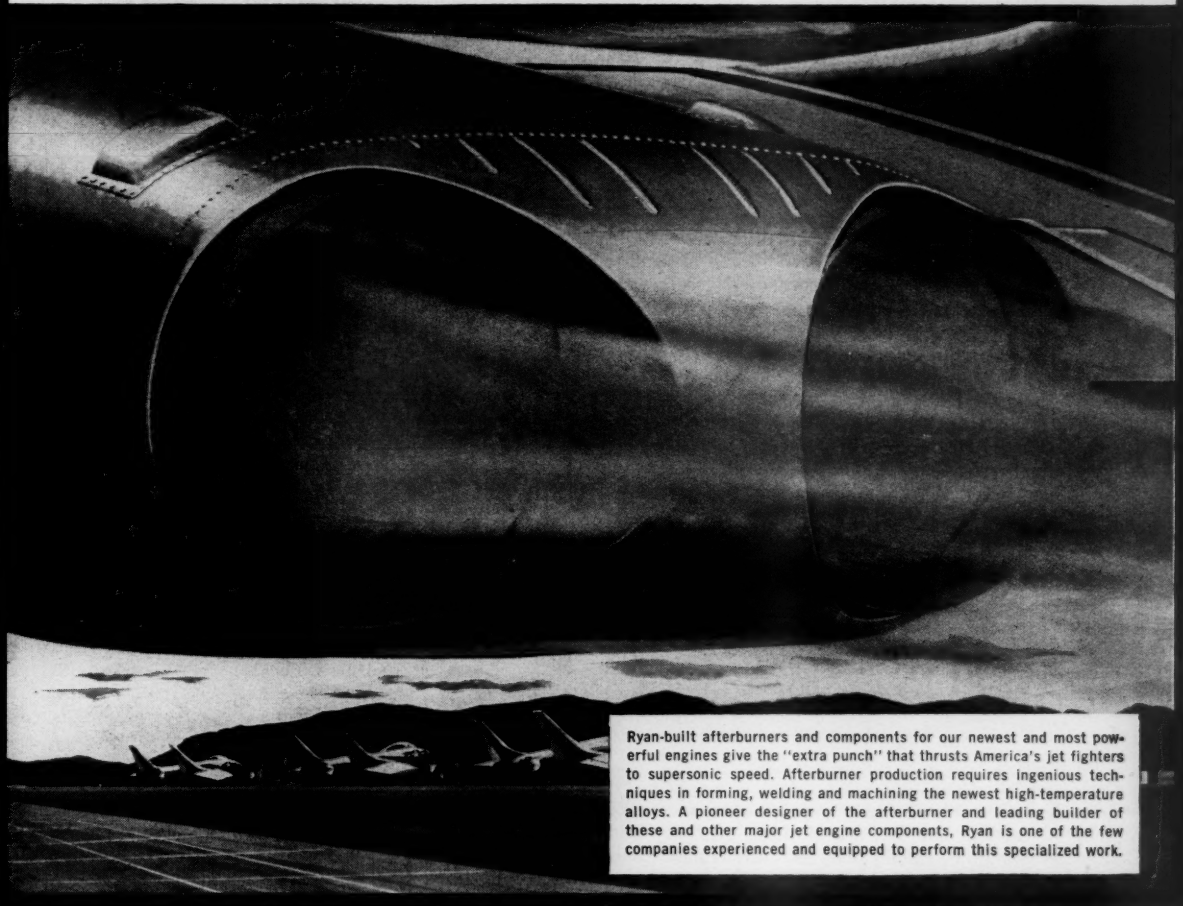
A That depends upon what degree of their "leftish" ideology they propose. There are all degrees. There are men who are in Congress who are wittingly or unwittingly Socialist. There are not many of them. It is difficult to analyze their degree of "leftishness."

Q How did your Commission divide? You said it wasn't unanimous this time. Was it split on party lines?

A The first Commission was not always unanimous. The recommendations represent the views of the majority. This Commission comprised five members of the Democratic

(Continued on page 54)

RYAN AFTERBURNERS BLAST U.S. JETS AHEAD



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. . . "Pressure groups misrepresent our recommendations"

Party and seven Republicans. That was more or less an accident than anything else. In any event, we never divided on a single occasion on political lines.

Q We were talking about the Cabinet members a little while ago, and whether they had time to think. What about the President himself—has he become so burdened with details that he no longer has time to think?

A I think the President's staff tries to keep the details off his back as much as they can. If a man is overburdened with details, he begins to lose weight, and I haven't noticed that—

Q Your first Commission made a number of recommendations which were carried out to relieve the President of a lot of small details, didn't it?

A Yes. We had offered another substantial idea on that line in this last report. Sixty-four different agencies in the executive branch report directly to the President. He has the sole responsibility for their conduct. We calculated that there are about 31 the responsibility of which he cannot escape, but we are recommending that he set up some official in the White House who should take charge of the other 33 agencies and relieve him of that detail.

Q That would be an official in the White House, on the President's staff—would that require legislation?

A No. He could choose one of his own officials if he wanted to and just tell all these agencies they had to take orders from him.

TOO MUCH HANDSHAKING?—

Q Do you think the President has too much handshaking to do?

A Well, I had always thought he did.

Q Is there anything that can be done about that?

A Well, I don't know much about that phenomenon at present. I carried out two revolutions in that direction. George Washington established the unfortunate habit of giving a New Year's reception to the entire population. He is said to have shaken hands with about 120 people at his first reception. I had 11,000 come to my first New Year's reception. Therefore I decided that reception had to be abolished. President Theodore Roosevelt had established the custom that at 12 o'clock each day he would shake hands with anybody who'd come. That only involved a few people at the start, but it rose to 2,000 in my time.

That is quite a handshaking job, and it was right in the middle of the work day. I took several immediate steps. One of them was very foolish. I ordered that these callers must have an introduction from a Congressman, a Senator or some responsible person. Immediately the Congressmen and Senators used it as an occasion to entertain their guests from home. So, I had to abolish that reception. I do not believe Presidents have those two fixed affairs any more. They do have the evening socials at the White House.

Q What about these receptions—do you think they could do away with those?

A Some people like those receptions. They are usually about 1,200 people. I never was keen about all of them.

Q Is it the wives who want them?

A I don't know. There are certain admirable customs in that area; the receptions of the foreign ambassadors, the Supreme Court, etc.

Q Did you find sentiment in the country favoring your work?

A We have now sent out all of our reports. We have had the most amazing press support—95 per cent of the editorials, measured by circulation, have been behind us in every particular. I think the country is for it in all of its aspects. We get criticized by the "left wing" press. There is no doubt about that.

Q Don't you also get opposition from some of the groups which benefit—for example, as I recall, the building people were almost horrified by your recommendations on what should be done about mortgage lending in the Government—

A Well, some of them did object, but they didn't affect the opinion of the country. We made a very modest suggestion. The Government has obligations out for probably 25 billion dollars of home mortgages—and a considerable part of them have little equity. The initial equity in a large number of them was reduced to 5 per cent. Even that was finally abolished by Congress for special cases.

We made the modest suggestion that a person looking for a home should have established his ability to save and meet his obligations by having saved at least $1,000 to pay down. And that was what they were kicking about. They wanted to have people buy houses and to build apartments without any equity whatever—and in some cases millions in windfalls by Government lending above costs.

Q Do you find, since you have started on this study of reorganization of the Government, an increasing interest in Congress and an increasing interest in the Government itself in pursuit of this subject?

A The Administration has been very helpful. How much we can get through the Congress you know as well as I do.

PRESSURE GROUPS' POWER—

Q Are the pressure groups very powerful in Congress?

A Oh, there's no question or doubt about that.

Q And is the pressure usually on the side of enlarging the Government activity?

A They are certainly able to express themselves. However, that does not bother the majority of the Commission. The pressure groups, of course, are very vocal and sometimes they atrociously misrepresent our recommendations. The veterans, for instance, passed 12 resolutions of denunciation, five of which were absolutely false. We had never suggested anything of the kind. Four of these resolutions were distortions of what we recommended. That's the sort of stuff you have to meet.

Q You have given us a survey of the job of the Commission. Now what would you say should be done to continue this kind of work in the future?

A I am in hopes that the Budget Bureau will examine our administrative proposals and do what it can to effect them.

Q Would you favor some kind of continued study by citizens such as you have been doing? What is the Citizens Committee for the Hoover Report going to do?

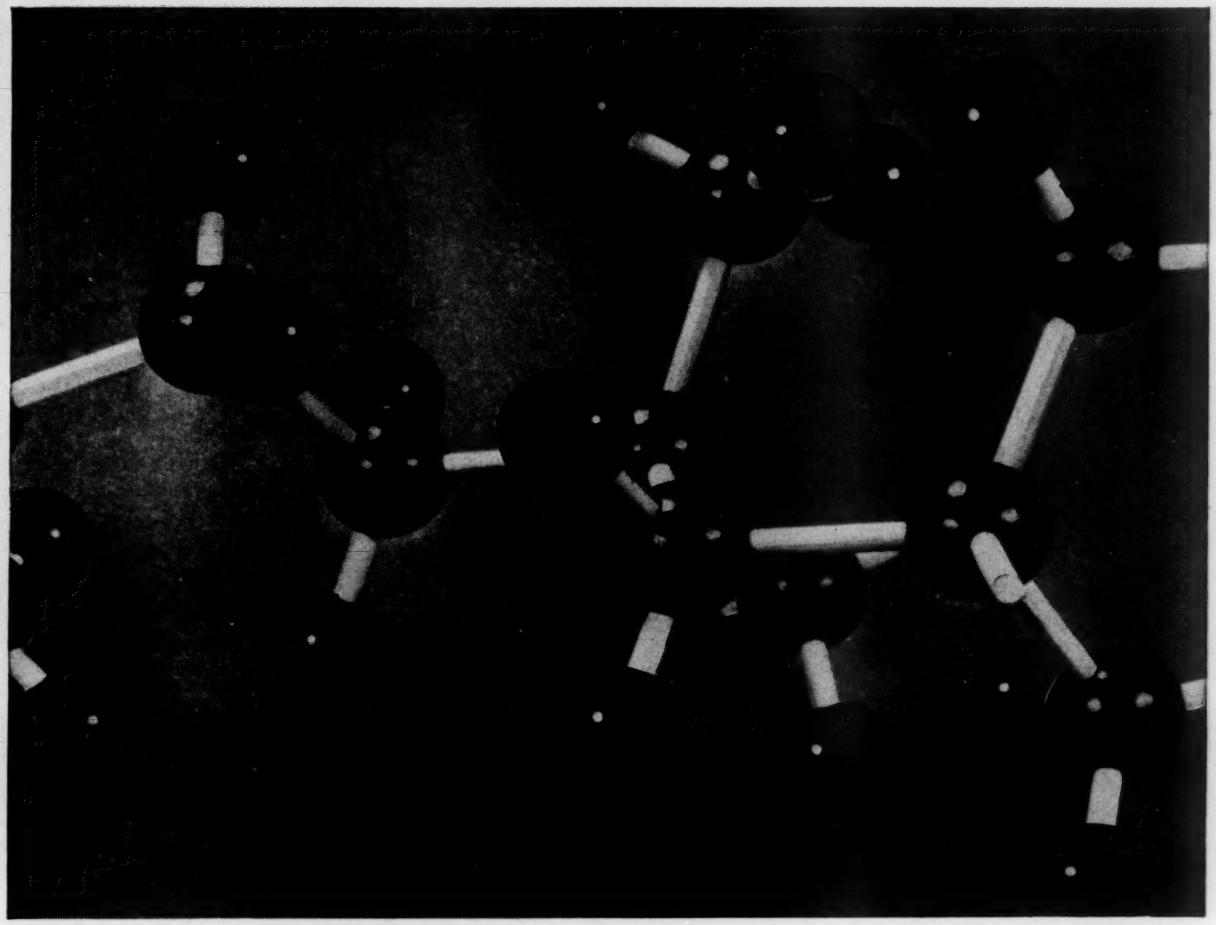
A They are a group of leading citizens devoted to securing the adoption of these reports.

Q There's no plan, then, to have another commission appointed to keep on inspecting the Government?

A I hope nobody suggests anything like that as a duty for me.

Q Isn't this the sort of thing we should look for every five or ten years?

(Continued on page 56)



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. . . "Great difficulty in Government to get competent men"

A I think that should be done, and I think that is one of the things that influenced Congress to set up this Commission—the belief that periodically there ought to be a broad survey of the whole executive machinery.

Q How many people were there in total on these task forces?

A There were about 325; probably, with their consultants, 350.

Q These people were all outside the Government, weren't they?

A Yes. And, as far as I could find them, they were men who had had actual experience in the Government at one time or another.

Q You had no trouble getting them?

A No, that was one of my great satisfactions. I had to call most of these men on the telephone and ask them if they would serve. I had only two refusals out of all the men I requested to take on a job. Those two had ample reasons. This work has been a severe call on these men. They have been at it now about 18 months, and it has involved much time away from their professions and their business. They have shown most extraordinary devotion.

Q They are the unsung heroes of your Commission, aren't they?

A Yes.

Q The public generally doesn't even know who they are—

A Well, we published their names in every report with a short biographical sketch of each one of them so that the public might know their names and qualifications.

Q So, these men really performed a service for the Government—

A Exactly. And any tribute to them would not be overdone.

Q Maybe you should give them a decoration for what they have done—

A We gave them each a citation, but that is little compensation.

PROBLEMS IN DEFENSE—

Q What about your recommendations on the Defense setup—didn't you have a good deal of controversy over that?

A I have heard little controversy over the major report on the Department. It's a major operation, but it happens to be in line with congressional thought. If you want to go into that, I might say that, when the Unification Act was passed in 1947 and again when it was amended in 1950 according to our recommendations, and, further, when the O'Mahoney Amendment was under discussion, the Congress thought there should be a unification of the common-use services of that Department. They were trying to set up a unification in military strategy on one side and business activities on the other.

Well, the departments have not made much progress on the business side. Our over-all Committee on the Business Organization of the Department of Defense under Mr. [Charles R.] Hook comprised 23 men who included representatives of other task forces concerned. As I remember, 21 had served in the Government during the last war. They didn't come down here as amateurs.

They came to the conclusion that there was only one thing to do, and that was to set up a sort of business manager under the Secretary of Defense who should have the full and complete authority to co-ordinate the whole of the common-use agencies and services of a business character. That does not include procurement of weapons.

I feel certain that Congress, having been for this idea and constantly complaining about the lack of such organization, is likely to be favorable to that report.

Q Will the Congress have to take action to implement that report?

A It is one of the proposals which will require legislative action.

OFFICIALS' OUTSIDE TIES—

Q Did you encounter in any way the question of whether public officials should divest themselves of securities in private companies?

A We did, and to clear the way to secure good and experienced men into the Government we made a recommendation about it. We said that in many instances officials could take an oath not to have any relations in any concern in which they had any financial interest, either directly or indirectly or any other way. That, having taken that oath, they ought to be welcomed into the service of the Government. A man who violated that oath would have a penalty hung upon it. This would not apply in cases of dominant relationship between the department and some concerns.

As a matter of fact, one of the greatest difficulties in this Government is to get competent men to come here in view of the fact that they've got to sell everything they've got.

Q Wouldn't men be afraid that they might inadvertently help a company that they had an interest in?

A I don't assume that any jury would convict a man on an inadvertent act. Otherwise, I don't see how we are going to get the best of men to conduct the executive branch.

Q Have there been under secretaries and assistants leaving the Government?

A Yes, they have left.

Q We can't keep them here—

A We're asking too much sacrifice of them.

Q Would the fact that the pay is too low in Government have anything to do with it?

A Oh, no. There are many men to whom pay is a secondary question when their country calls for service.

Q Aren't there lots of frustrations that they meet here in the way the Government operates?

A Often men are not able to fulfill all the aspirations and hopes with which they came.

Q They find the Government a pretty difficult thing to operate in—

A They find the Government is pretty difficult to move ahead.

Q Do you think that these people in Government have any time to think?

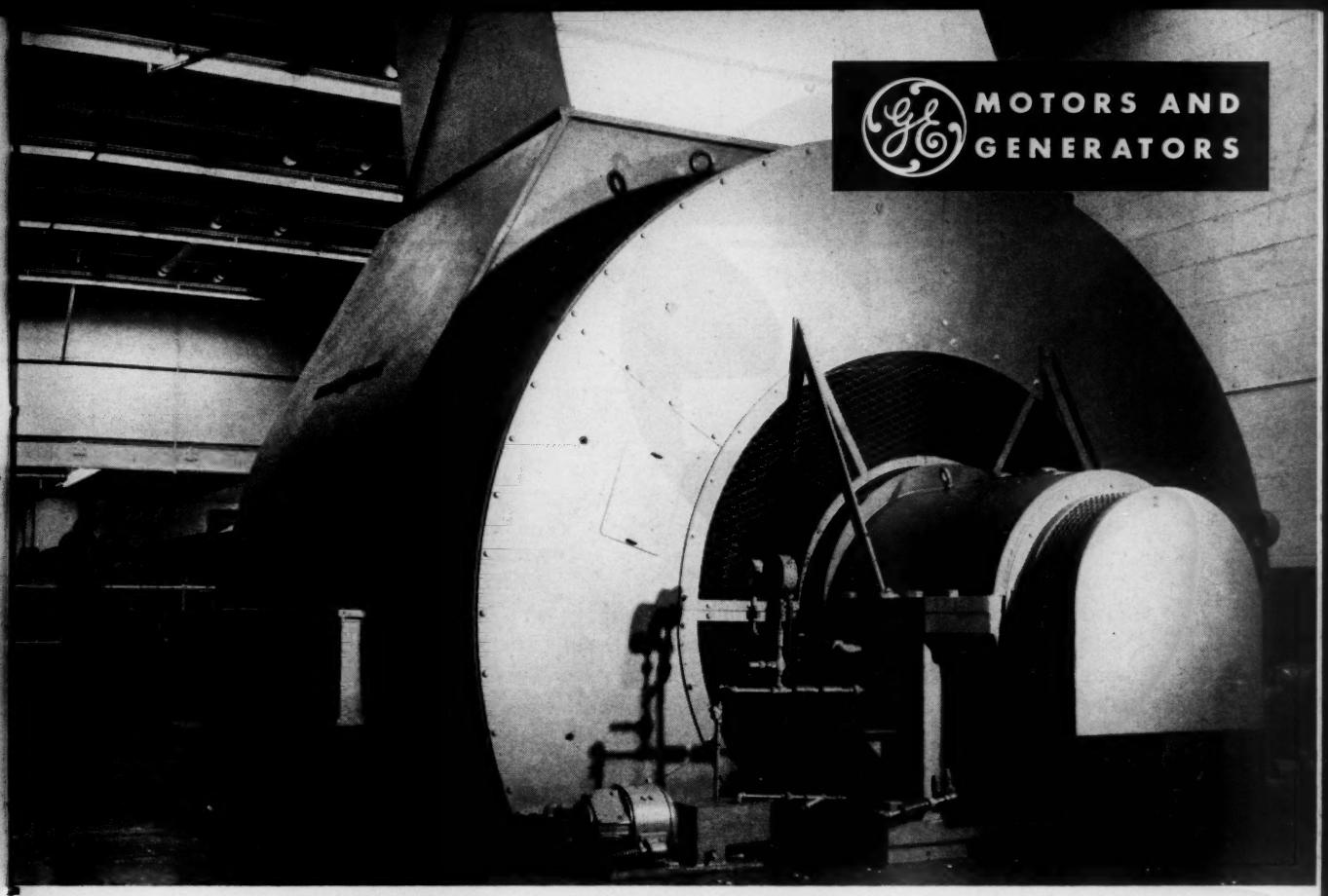
A Well, some of them do.

Q How many years have you devoted to this work of the Commission?

A I served two years or a little more on the first Commission, and I came to Washington on this Commission on the twelfth of July two years ago.

Q They always talk about what to do with our ex-Presidents. You seem to have found a lot to do—

A Well, I have the notion that anybody who is physically able to be of service to the American people should not refuse any call.



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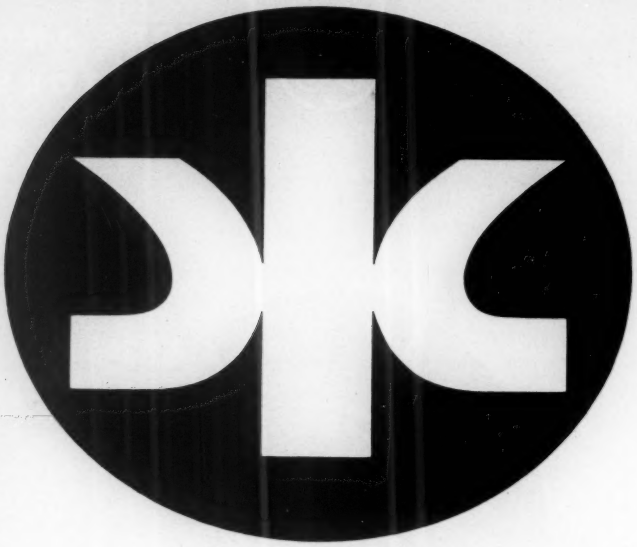

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IN YOUR PERSONAL PLANNING

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These tips on how to keep cool during the hot "dog days" ahead come from public-health authorities and others:

KEEPING COOL. Help your body's cooling machinery along by wearing light, loose-fitting or porous clothing that lets air circulate. Keeping a T-shirt on while you're working in the yard is more cooling than going bare-chested--white reflects the sun's heat rays and the perspiration-soaked cloth distributes the cooling effects of evaporation better than does bare skin.

FOOD. Get a balanced diet. Even if your appetite loses its edge during hot spells, you need food energy to keep from feeling bushed. Incidentally, new studies at Massachusetts Institute of Technology indicate that fatty foods are "cooler" than popularly supposed and need not be avoided during hot weather.

DRINK. Take in plenty of liquids to keep your sweat-producing mechanism supplied. Thirst isn't always a good guide; it sometimes lags behind your body's actual liquid need. Hot drinks stimulate perspiration--which can be cooling in a dry climate, but not so helpful in high humidity. Drinks with the least sugar have fewest heat-producing calories to get rid of.

MIND AND BODY. You'll be smart, the experts say, to avoid brooding over how hot it is. Failure to take things in stride, they say, can actually make you physically hot under the collar. Adjust your activity to the weather, too; muscular exercise produces heat that your body has to dissipate.

You'll find you can stand the heat better if you get adequate rest. Should you lose sleep on hot nights, take daytime naps--before the evening meal if you can't work in an afternoon siesta. Short naps are best--leave you less groggy.

SALT. Unless you do heavy work on hot days, you probably get enough salt in your diet to replace the amount lost in perspiration. Heavily salting your food, or taking unneeded salt tablets, puts an extra load on your kidneys.

BATHS. Cold showers cause blood vessels under the skin to contract, so blood trying to get to the surface to give off internal body heat is blocked. Lukewarm showers therefore are more cooling than cold ones.

Sweat glands of babies and young children have limited capacity; sponging the child's body with water can be helpful. Same trick will cool you, too.

(over)

If the child is especially fretful in hot weather, put a wet cloth on his head--much of the heat generated in a child's body is produced by the brain.

GIFTS OF STOCK. A tax problem that arises when gifts of stock are made to children is settled by an Internal Revenue Service ruling. Laws of some States provide that stock cannot be registered in the names of minors. Where this is the case, stock given by a grandparent to his grandchildren, for example, may be registered in the parents' names, and money realized from the stock put into a separate bank account with the parents as trustees. The question is whether a trust thus is created that is subject to tax.

IRS says no. Under such circumstances, it adds, there is no taxable trust; the grandchildren, however, are liable for tax on income from the stock.

KOREAN-WAR PRISONERS. U.S. servicemen who became prisoners of war during the Korean conflict finally are to get the compensation authorized a year ago by Congress. Money to pay the awards--$2.50 for each day as a prisoner--now is available, the Foreign Claims Settlement Commission announces. Checks are being mailed automatically to former POW's who made application for the awards. Some haven't filed, however, and, unless they apply by Aug. 21, 1955, they lose their right to compensation.

DRAFT. With college-enrollment time not far off, readers ask about getting out of the Army ahead of schedule in order to attend school. Regulations make it possible for a drafted youth to get a discharge as much as three months early for this reason. He must, however, show he has been accepted for enrollment by a school. To get the Army's O.K., he starts with his company commander.

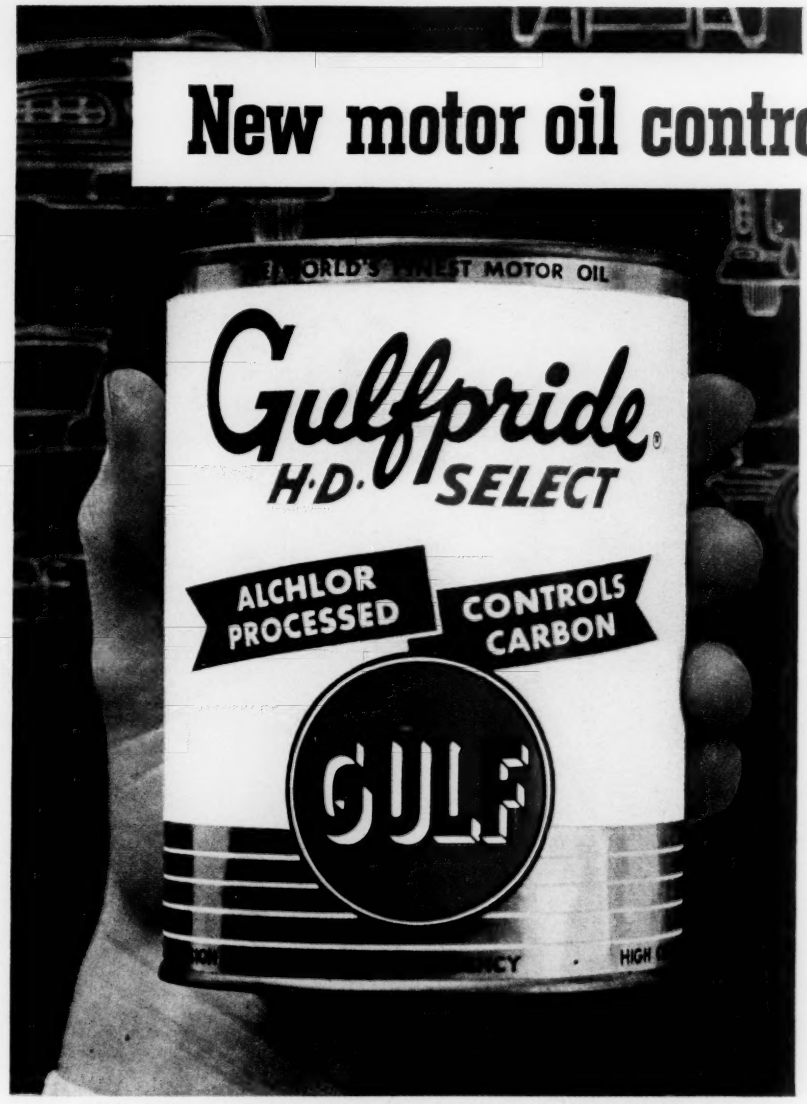
The fact that he doesn't serve a full two years on active duty doesn't make him liable for call-up later to finish out his service--or to being drafted again for another two-year hitch. And he gets the same mustering-out pay as if he had served 24 months.

CERTIFIED MAIL. The Post Office Department has added a new wrinkle to its certified-mail service. For an additional 20-cent fee, you can make certain the letter is delivered only into the hands of the addressee. Certified mail--started by the Post Office in June--is similar to registered mail except that it costs less and involves simpler procedures.

MARKET FOR HOUSES. How long can you expect a house to stay on the market now before it sells? A nation-wide survey by the U.S. Savings and Loan League shows this: A new house in the low or medium-price field remains on the market an average of 30 to 60 days. That's about the same as last winter but a shorter time than a year ago. Average time for an old house now is 60 to 90 days--not much change from the situation six months ago or last summer.

MINISTERS. A cash allowance paid a minister to cover the cost of his housing isn't income on which he is subject to tax. That decision by the U.S. Court of Appeals for the Eighth Circuit overrules a viewpoint of the federal tax collector. The rental value of a home furnished as the minister's living quarters does not count as income, the Court points out. Cash allowed him for housing should also be tax free, it adds.

New motor oil controls carbon



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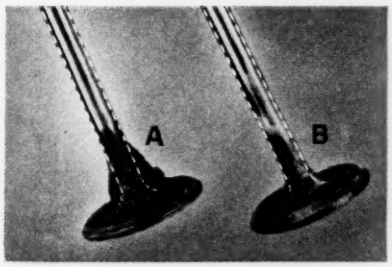

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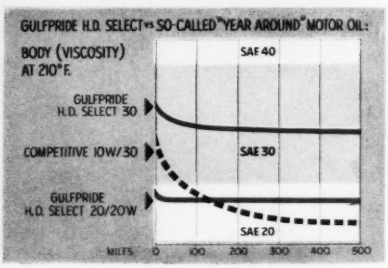
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LIFE AROUND THE WORLD®

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FROM GENEVA

3 TRAINED "BEARS"

GENEVA—This is the size-up of Russia's rulers, made by Western experts who were in close contact with them during the Geneva Conference.

The "three bears" of Geneva—Nikolai Bulganin, Nikita S. Khrushchev and Georgi K. Zhukov—appeared everywhere together like a song-and-dance team in old-style vaudeville. When they entered a room, they did it three abreast, if they could. When they couldn't, the entrance was strictly protocol, with Bulganin leading and Khrushchev in the middle. Once through the door they lined up three abreast.

There were times when this was so apparent that it seemed as if some invisible line kept their toes in a row as they stood chatting. When they turned from one group or individual to talk with another, they wheeled in almost military formation.

It was obvious that all three wanted to be present whenever any one of them spoke. Perhaps this was because there had been a slip at the French party or somewhere else early in the Conference. At that stage, it was Khrushchev who acted as though he wanted to be considered the boss. He usually made a beeline for the most important man in the room, with Bulganin and Zhukov not far behind and generally in sight. British Prime Minister Sir Anthony Eden, who pulled Bulganin out of the trio for a private talk when the Russians dined with the British, was the only one who managed to separate them for any considerable time.

A changed Molotov. An observer did not get the impression that any two of the three were necessarily watching the third—that Bulganin and Khrushchev, for example, were watching Zhukov. But Western experts on Russia found it curious that Foreign Minister V. M. Molotov did not seem to form a

(Continued on page 66)

—United Press

MESSRS. KHRUSHCHEV, ZHUKOV AND BULGANIN
. . . like an old-style song-and-dance team

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. . . A Briton tried to twit a changed Molotov

part of this team, although he is a member of the Presidium, while Zhukov doesn't rate as high as Molotov, on paper.

Molotov had changed again at this meeting, as he had changed at last year's conference in Berlin. At Berlin, the Americans, British and French were impressed by the fact that he appeared almost a free agent with real authority to bargain, to make concessions, or to state points on which he would not make concessions. This time, he seemed to have lost most of that authority.

Again and again in the Geneva meetings, British Foreign Minister Harold Macmillan tried to twit Molotov about his lack of independence of action, about the way he parried questions by quoting from Bulganin's speeches. But Molotov did not react.

It was not simply a question of Molotov's anxiety to do nothing until he consulted Khrushchev or Bulganin. It was more than that.

Khrushchev's role. For example, although Khrushchev talked loudly and used language that linguists called "crude," he was careful to produce no big decision. Big decisions, obviously, were made in concert. Khrushchev was the big backslapper, the hearty laugher, the loud "lodge brother" who appeared to fear nothing, yet knew that he could not speak alone for the leadership of the lodge.

It took Westerners quite a while to get used to Khrushchev's behavior and physical appearance. His build is startling; photographs do not do justice to it. He resembles a butcher in a small European town who is strong enough to bend crowbars or tear telephone books to amuse small boys but has allowed his barrellike body to become a little flabby. He is so broad that his arms never seem to hang straight down, but to extend outward stiffly. The bell-bottomed trousers that all the Russians wore did not seem unduly wide on Khrushchev, but quite appropriate, as though only such a man could wear them.

For all Khrushchev's crudeness and his rough jokes at their expense, his colleagues appeared to have a kind of tolerant respect for him. But it was not fear. Bulganin did not hesitate to interrupt him on occasion. Even Zhukov, who spoke little when the others were present, appeared to have no fear of Khrushchev.

Those who stayed home. The Westerners tried repeatedly to get the Russians to discuss a whole series of new proposals—and failed utterly. They couldn't even get the Russians to disagree on details. The men from Moscow refused to talk, both in plenary and private sessions. They just kept repeating their own proposals, ducking every effort to get them to discuss anything else.

By the time the Big Four Conference ended, the Western experts were convinced that these three men—and Molotov, too—were not only responsible to each other, but, as a team, were responsible for reporting to associates back home before passing beyond limits clearly defined prior to the meeting. The Western experts all have guesses as to who these men back in Moscow are.

Some feel that, in addition to the "three bears" of Geneva—four, counting a Molotov with limited powers—there may be three or four others in Moscow. Most of the experts pick Georgi Malenkov and Anastas Mikoyan as two of these, but they differ on the others.

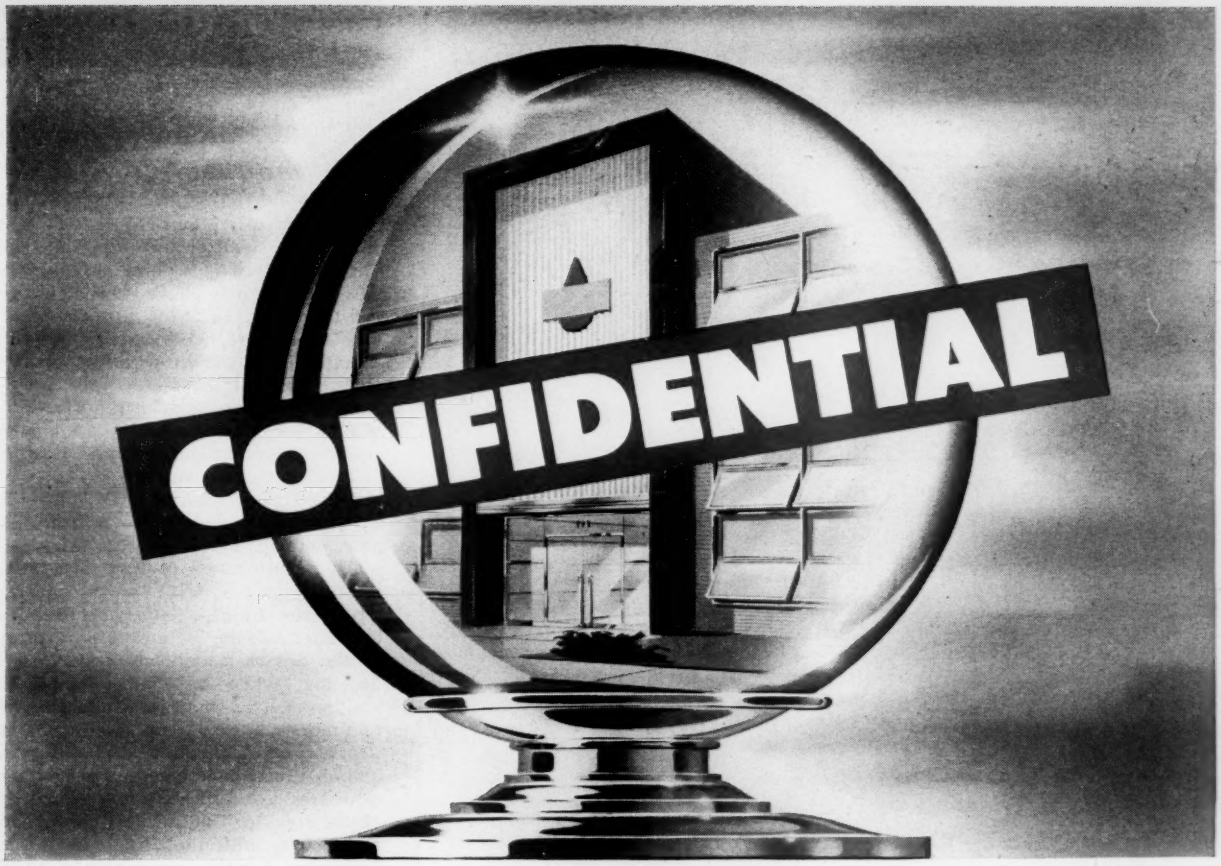
—European

V. M. MOLOTOV
. . . out of the line-up?

There is the feeling that the Presidium of Russia may have been considerably enlarged, with a group of men who held second rank under Stalin now moving into the enlarged center of committee government. If this is true, then the West may have to learn a new set of names and a new pattern of command, infinitely more complicated than the simple formula of Presidium command.

For want of a single man strong enough to run the committee dictatorship, as these experts see it, ambitious men have scrambled higher all along the line, moving out of the various fields of political, economic and industrial management into the enlarged "summit" of the Soviet high command.

(Continued on page 68)



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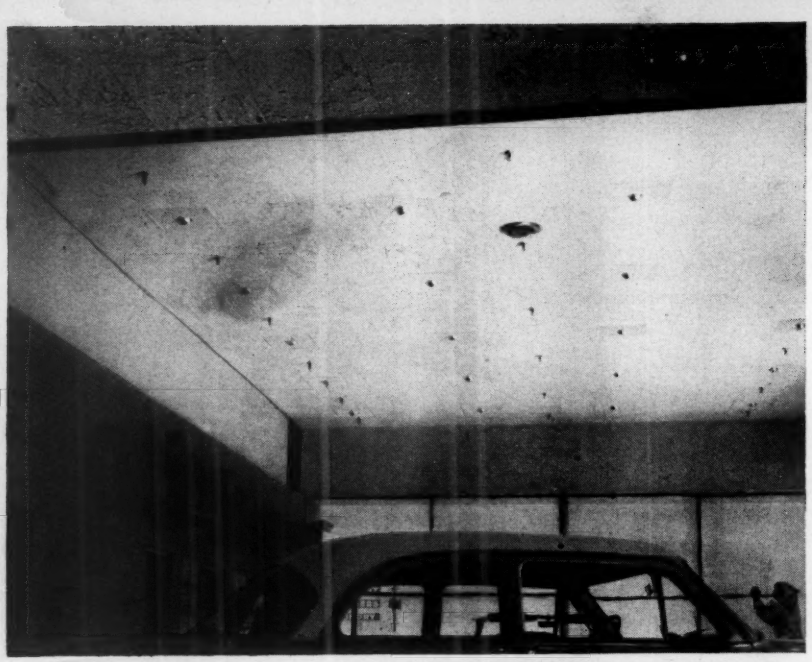

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40 YEARS OF LEADERSHIP IN THE MANUFACTURE OF ACOUSTICAL MATERIALS

memo

. . . Gromyko growled and "the room grew chilly"

Once there was only Stalin at the summit, with a small group next—Malenkov, Khrushchev, two or three others. Now this summit may have been enlarged and there may be 20 or 30 men, or perhaps even more, who are not important enough to be shown with the great in photographs but are factors in a complex system of management at the top.

This would leave more room to maneuver for power at the top, and it would also allow more room for debate, new ideas, fresh approaches to achieve the old end—world power. Fewer heads roll, now, among Soviet leaders who have reached high levels of command within the party.

ension below. The word "relaxed" characterizes the actions and attitudes of the Soviet leaders at Geneva. Even Molotov, while he seemed unable to yield much without consultation, was far more at ease than before Stalin's death. There appeared to be less fear among the top men, more trust of each other, less concern about occasional slips of the tongue. But, while this appeared to be true with the "three bears" and Molotov, it was not apparent to the same extent among those further down the list.

On one occasion, for example, Andrei Gromyko and Jacob Malik were talking with a group that included several other, lesser Soviet delegates, and two Americans. Gromyko engaged in an exchange with Harold E. Stassen, all concerned laughing genially.

"Well, well," said Malik, "here is the new Minister for Disarmament—the man who is going to disarm the world."

"It's a good title," said Stassen. "I wish you had such a minister."

"We are all of us for disarmament," Malik replied. "We need no special minister."

Shortly afterward, as the conversation followed the same vein, Malik made a remark which none of the Westerners present understood fully. Gromyko cut in sharply in English: "I wish to disassociate myself from that comment." And suddenly, as one American put it, "the room grew chilly."

Although things are now easier in the lower ranks of the Soviet hierarchy, there still are more caution, more nervousness, more wariness than appear to exist at the top. And, while a part of the Soviet command certainly was present at Geneva, another part remained at home and still had to be consulted.

An "antiwar" clique. The value of Zhukov as a special channel to President Eisenhower, as the experts see it, lay not so much in the fact that Zhukov speaks with a military voice, but in the fact that he is a trusted member of the Communist Party who reports directly to the ruling committee. At the same time, he spoke with the mind of a soldier who could understand what the President really was saying, without all the suspicions of a diplomat like Molotov or of a glorified ward boss like Khrushchev.

Among the experts, there is continued emphasis on the importance of the new class of technicians, business managers and industrialists now rising in Russia. Such men, it is felt, are gradually moving into the Communist Party because their talents are considered valuable to the Soviets and therefore important to the party.

These men, it is felt, are inclined to be "antiwar" because they recognize the present power of the U. S. They are believed to favor a period of friendly coexistence which will permit an exchange of industrial and management know-how with the U. S.

Cliques inside the Central Committee now will have more power, too, the experts say. What became a mere rubber-stamp organization under Stalin is now, under the committee form of government, taking back some of the power from the very top. Committee members, seeking additional strength and support, are reaching down to this reservoir of Communist Party leadership.

There is a warning from the experts that this gradual spreading of power at the top may go either way. It may continue to spread. Or it may be cut short if some powerful group or individual seizes power, as Stalin did. But there are safeguards against such a development. The top leaders who worked under Stalin are believed to be determined never again to let one man become all-powerful.

Soviet slowdown. The experts also sense among Soviet leaders the feeling that they know that the Soviet Union has come a long way very fast, that they want to slow down the pace and digest what Stalin swallowed; that they fear the Soviet system may careen off into complete disaster unless ambitions are curbed for the present. It is this feeling, plus the unity and strength of the West, that has brought about the desire to "ease tensions."

"It takes a dictator to play a game of tensions without fearing that the strain on his own nation will show," said one top expert. "Now the Soviet Union has no dictator, no one man, and those who rule are aware that they cannot play the dictators' game without making one among them dictator. And this they do not want—at least, not now."

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With warning, trouble can be localized, "massive retaliation"—big war—be avoided.

Col. Richard S. Leghorn, U. S. Air Force Reserve, a leading authority on aerial reconnaissance, makes these points in the article below. The case for using planes to keep close watch on Communist countries was made by Colonel Leghorn in papers circulated among high officials of U. S. and Europe just before the Big Four Conference at which President Eisenhower proposed aerial inspection by agreement.

The Colonel, a consultant to the U. S. Air Force, has brought up to date his assessment of what aerial inspection can do.

Colonel Leghorn commanded an aerial-reconnaissance group in World War II. He was on active duty in the same field during the Korean war, has helped develop newest Air Force reconnaissance methods.

by Col. Richard S. Leghorn

U. S. Air Force Reserve

Now that President Eisenhower has proposed mutual aerial inspection to Marshal Bulganin, three questions command attention:

How will the Russians reply?

What does the U. S. do if they say "yes"?

What does the U. S. do if they say "no"?

Many are apprehensive lest the Soviets say "yes." These people have raised objections in detail to the scheme: This country's laws and regulations prohibit aerial photography of military installations and prohibit giving of military information to a potential enemy. The Soviet planes could be carrying hydrogen bombs. We shouldn't give anything to the Russians. And a host of other reasons that lie back of U. S. laws governing military information are being cited.

All of these objections are details, most of which can be readily overcome. They are insignificant compared with the vast political and military gains for the free world in President Eisenhower's proposal.

If the Soviets and ourselves achieve agreement on free mutual aerial inspection, supplemented by spot ground inspection, we will have substantially eliminated the fear of surprise attack with mass weapons. We will have taken the first—and therefore perhaps hardest—step toward disarmament. We will have solved our two most important military intelligence problems—the problem of obtaining a few days' advance warning of attack, and the problem of locating targets for counterattack.

If the Russians say "yes," we should arrange the details energetically and thankfully.

A useful indication of Communist attitudes toward aerial inspection can be found in Korean experience. At Panmunjom, United Nations negotiators pressed hard during more than six months for aerial inspection as a supplement to limited ground inspection of forces to remain after the armistice.

The negotiators' viewpoint seems to have been similar to that of President Eisenhower: that if arms limitations in restraint of a build-up of military force in North Korea were to be written into the cease-fire agreement, there would be little chance of holding the Communists to it unless there were some method—such as free aerial photography—to provide positive proof of infractions for the court of world opinion.

The Communists held out for only limited ground inspection, quite as they presently propose. Washington, politically anxious for a cease-fire, finally agreed. The resulting farce of arms limitation is well known today. It was a useless provision without aerial inspection.

The example of Korea, and the Communist reaction to aerial-inspection proposals in the Baruch plan for atomic-arms control, suggest a prediction that the Communists will say "no" to President Eisenhower.

Another reason is that, from the viewpoint of military intelligence, the Eisenhower plan is hardly a fair trade. The Communists would learn little of significance that they do not already know. But this country's intelligence information about Communist activities is terribly weak. The result is that we would stand to learn a very great deal.

One of the foundations of Communist power is secrecy. This leads to the question: Are the Communists willing to give up the advantage of secrecy for the sake of "lessened world tensions" and "peaceful coexistence" as they bid for time to build up relative strength? Or will they continue to seek their objectives through techniques designed to lull the cold-war-weary world to sleep, without agreeing to a real basis for diminished tensions?

. . . "We could carry out the inspection covertly"

The probabilities are strongly that the Soviets will say "no" but will either try to appear not to be saying "no," or will try to cast the blame on us for their rejection.

In a masterful way, the President has impaled Marshal Bulganin on the sharp horns of a major dilemma. If the Marshal says "no," he will be cast in the role of an obstructionist to peace and he will have lost a decisive battle in the peace-propaganda war. If he says "yes," the Communists give up both their important intelligence advantage and their very important power advantage of surprise in attack.

With a few days' warning, our military forces can be two to three times more effective in meeting nuclear attack. In other words, Marshal Bulganin would be essentially handing us a military establishment much stronger than our present one if he agreed to aerial inspection of the Soviet Union.

The Soviet leader, as a result, has three choices.

First, faced with what Secretary of State Dulles calls the "necessity for virtue," he could agree to this substantive step toward prevention of war. This would be a major victory for the West and for the cause of peace.

Or, second, he could say "yes," but with so many limitations and qualifications as to mean indefinite delay and, in effect, "no."

Or, third—and most likely—he will say "no" and try to cast the blame on us for his answer. He may well say we have dodged the real issue—a ban on possession of nuclear weapons—which Soviet propaganda still holds to be the key to peace.

If Bulganin says "no," we still have opportunities.

We can keep the Soviets on the run with a "peace offensive" of our own. Such an offensive would provide an excellent time to renounce the use of any H-bombs and to renounce any attacks upon cities, except in retaliation for such attacks upon us. These unilateral promises would counter Communist talk about banning nuclear weapons.

We could simultaneously press harder for our aerial-inspection proposal, perhaps by advocating "free international air" above a three-mile or even a 12-mile limit, as now practiced at sea.

And we might announce a start on construction of a reconnaissance earth satellite, the transmitted results from which we would be willing to turn over to a U. N. inspection agency.

[Editor's Note: Soon after this paper was written, President Eisenhower disclosed the U. S. is to build a small satellite, first step toward a reconnaissance version.]

In addition to keeping the Communists on the run through this "peace offensive," we would have a golden opportunity to solve our principal intelligence problems.

We could make clear that aerial inspection and the information it would provide is so important to world peace that we probably will go ahead on our own anyway, always leaving the door open to reciprocal arrangements with the Soviet Union as the President has proposed. But, lacking such arrangements, we would carry out the inspection covertly, even in the face of Soviet military opposition.

Aerial spying seems drastically new. Yet peacetime spying is considered normal between nations. It is diplomatic practice to admit military attachés who gather military intelligence. Certainly there is no reason to regard aerial spying as any more provocative than conventional espionage, such as the Klaus Fuchs and similar cases.

Aerial spying on the Soviet Union—done covertly and without Soviet permission—can be carried out with a very, very small probability of loss and with great gains for the West.

During World War II, high-flying reconnaissance planes, alone and unarmed, suffered fewer combat losses than any other type. And since then, the techniques available for reducing the probability of detection and interception have been greatly advanced.

Any aerial reconnaissance that we conduct over the Soviet Union must be extremely difficult or even impossible to detect. I, for one, firmly believe that we *can* conduct such reconnaissance missions over Soviet territory without their being able to do anything about it—with very rare exceptions.

—USN&WR Photo

COLONEL LEGHORN

We can easily have airplanes with the necessary characteristics, to fly high and fast, for long distances.

The aeronautical arts are advancing so fast that the performance of a few hand-tooled reconnaissance aircraft can be maintained through the years substantially superior to any air-defense system around an area as vast as the Soviet Union. As an example of what can be done even in the face of overwhelming air superiority toward the end of World War II the Germans flew at will over England, using hand-modified Ju-88s for photo-reconnaissance missions.

If the Soviets are provoked by reconnaissance into a major attempt to improve their air defense, we can only gain by their draining engineering and production talents from offensive to defensive activities.

Most importantly, knowledge that we can perform aerial inspection regardless of Soviet military opposition will be *the most significant factor* in bringing the Soviets to eventual acceptance of the President's proposal.

The President's offer of mutual aerial inspection has at last seized for the West the initiative in the cold war. If we press this advantage hard, we can win a major cold-war battle—perhaps decisive enough to turn the tide truly toward complete, universal and enforceable disarmament.

We have the required reconnaissance techniques, particularly aerial photographic methods.

We have paint developed early in World War II which hides from the human eye an aircraft flying at high altitude.

We have methods to tell us about the Soviet radar network—where, when and how it operates—so that we can arrange frequently to avoid it, slip through it or frustrate it. With research, we can develop better material and shapes for aircraft surfaces that will absorb or scatter radar beams so as to make radar detection of reconnaissance aircraft quite difficult.

Aerial reconnaissance is particularly needed against the Soviet totalitarian state, because other methods of collecting information and data operate under extreme difficulties.

Travelers have been limited for some 30 years, and very greatly since the war. Espionage rings and internal resistance groups face immense obstacles. There are no such things as

. . . "Aerial reconnaissance is a beginning toward disarmament"

prisoners of war to interrogate. The few deserters from the Soviet system do not always bring impressive amounts of information. The Kremlin can block, to a large extent, all our techniques for gathering information except military aerial reconnaissance.

Aerial reconnaissance is a beginning toward disarmament that can only bear fruit over a period of years.

By virtually eliminating the possibility of surprise attack with mass weapons, aerial reconnaissance places a limit on the *use* of armed force. Limitations on the *use* of force are complementary and probably a prelude to limitation on possession of arms. For the confidence and trust necessary for satisfactory negotiations to limit *possession* of armaments probably requires a period of experience, tacit understanding and possible agreement in the limitation of their *use*.

The President Tells More About Aerial Inspection

The following exchange took place at President Eisenhower's press conference on July 27, 1955, with the President's answer authorized for direct quotation by the White House:

Merriman Smith, *United Press:* Mr. President, in connection with your disarmament proposal, would you extend the privilege of aerial reconnaissance to atomic-energy installations?

The President: Well, I wouldn't want now to go into the complete details that would have to be worked out by professionals and technicians meeting to form the plan that would give effect to the general proposal I made.

I would say this: that everything, the blueprint of which I spoke, the layout of your military establishments, in my opinion, should be complete. This would not necessarily involve your manufacturing and production plants, but I would certainly, under the scheme I was thinking of, place a minimum of prohibited areas, and I think that I would allow these planes, properly inspected peaceful planes, to fly over any particular area of either country that they wanted to, because in this—only in this way could you convince them that there wasn't something over there that maybe was, by surprise, ready to attack them, you see.

Also, the enforcement of arms reductions is extraordinarily difficult compared with limiting use. Not only are inspection problems far more complex, but a breach of the agreement leaves only the alternatives of resuming the arms race or starting war. Limitations on *use* are much easier than limitations on *possession*.

In addition to aerial inspection to prevent surprise attack, the other practical method for limiting *use* of armed force is through deterrence. Since 1946, the United States, supported and now followed by Britain, has developed a military posture predominantly characterized by air and nuclear weapons poised to destroy Soviet civilization in one swift campaign of mass destruction. Massive Deterrence is the basic defense policy of the West, which relies primarily on the threat of massive retaliation to deter war.

Until recently, a good case could be made for a policy of Massive Deterrence as the most practical method to deter Soviet use of armed aggression to achieve Communist goals:

1. Massive Deterrence was effective so long as the Communists could not reply in like terms against the U. S.

2. It was the only option so long as the West's tactical strength was inadequate to match Communist tactical strength.

3. It is economical, on the face of it.

Dangers in Massive Deterrence

The shortcomings and dangers of Massive Deterrence seem now to be realized increasingly on both sides of the Atlantic. In the new circumstances of growing Soviet air power and Soviet development of hydrogen bombs, many of the advantages in Massive Deterrence no longer hold. And Massive Deterrence now carries the following disadvantages:

1. It is increasingly an "all or nothing at all" gamble against mutual suicide.

2. It is increasingly akin to bluff as a deterrent against any aggression short of general war.

3. It provides no intermediate deterrent between "conventional" retaliations for minor aggression and "massive" retaliation for major aggression. Thus, it almost invites intermediate aggression and leaves much room for misunderstanding between the two extremes.

4. It imposes ever more impossible and costly air and civil-defense problems.

5. It engenders fear of world destruction, which jeopardizes Allied unity and morale and plays into the hands of Communist propagandists.

6. It violates the moral principle of never using more force than necessary.

The shortcomings of Massive Deterrence raise this question: Is there an alternative strategy for the West which provides adequately for defense of the free world and which does not rely primarily on the threat of mass destruction and total war?

Increasing evidence and debate point toward the very considerable promise in a defense policy of *Graduated* Deterrence.

By Graduated Deterrence is meant reliance on a series of graded threats of counteractions. Each would be designed to deter a particular type of warfare and armed aggression.

Such a scale of deterrents would involve limitations on the type of weapons used, but mostly the limitations would be on the targets attacked. In particular, it would involve drawing a distinction between cities and military targets, as Mr. Dulles has already begun to do.

The ultimate threat of mass destruction of Soviet cities would be reserved to counter mass attacks on free-world cities and populations. Counteractions against military targets would be used to repel lesser aggressions.

Graduated Deterrence, as distinguished from Massive Deterrence, limits force to the minimum necessary to deter or repel each aggression and reserves city annihilation for the ultimate aggression. Although in the past it was neither fully possible nor entirely necessary, Graduated Deterrence now presents these important advantages:

1. It lessens fear of world destruction by excluding counter-city blows and H-bombing, unless begun first by the Communists.

2. The Communists, knowing their cities need not be attacked, will be less tempted to "Pearl Harbor" ours. The deterrent effect against a general war remains as great as ever.

3. Red armies, if they contemplated major aggression, would find our policy of limited deterrence one they could more easily believe—a policy that lacks the bluffing aspects of Massive Deterrence. The limited deterrent would be more likely to rally support to us in both free and satellite countries. Fighting conditions, also, would favor our atomic and technical superiority.

4. Against minor aggression by Red armies or their proxies, our deterrent would be increased by our freedom to use atomic and perhaps chemical weapons tactically and locally, if necessary. And we would be less likely to drift into a position where a series of Communist "nibbles" forced us to take action leading to general war.

The fundamental aim of defense policy is peace—in peace, to enforce peace; in war, to end war. The defense policy of a civilized nation should contribute to the durability of peace before war, and, in war, should insure that military strategy has workable peace as its aim—not the illusory goal of total victory.

This aim requires deterrents *and* limitations to warfare. The key to deterrence is the existence of power justly organized to present the potential violator of peace with a probability of loss appreciably in excess of his probability of gain. The key to limitation is that the counteraction to any type of aggression must be the *minimum* necessary to deter it, or to repel it should an aggressor miscalculate.

Also, military counteraction must be undoubted. The threat to deter each type of aggression must be based on real strength. To deter, a deterrent must permit prompt and unwavering execution by the free world.

The extent of free-world counteraction to each category of aggression must be well debated and accepted beforehand in the democracies. To prevent wars becoming unlimited, limitations must be threshed out and accepted before the passions and pace of the conflict take over. Furthermore, public discussion can help avoid overlimitation, as we tended at times to overlimit ourselves in Korea and Indo-China.

A potential aggressor must have sure knowledge of his probability of loss. It is not desirable to keep him guessing, as he may guess wrong and underestimate the consequences of aggression. The means and techniques of military counteraction need not be revealed—only the consequences.

Aggressors must not be confronted with terms of unconditional surrender in case of war. Cease-fire terms must be the essence of moderation. Broadly, terms should be restricted to free-election and disarmament matters, and penalties should be confined mostly to destruction of military forces occurring during hostilities.

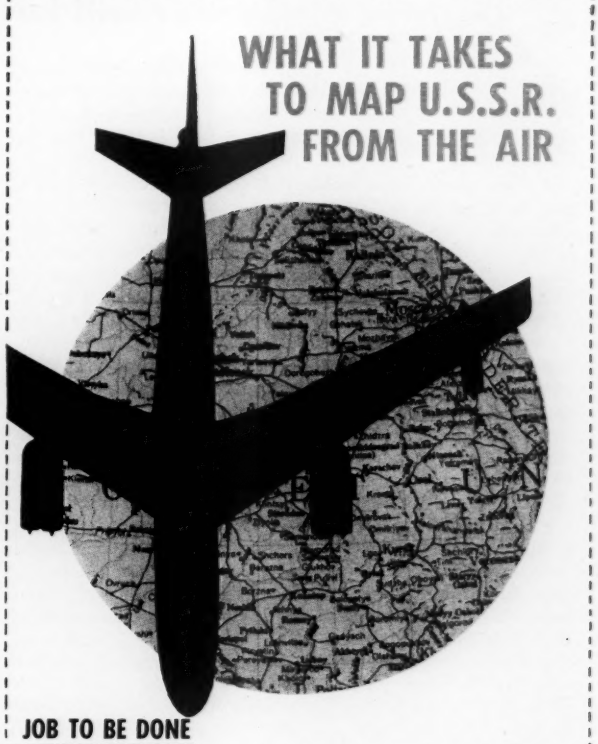
Changes in War Planning

Certain cherished military notions of the West, as developed in this century of total war, must be abandoned:

1. The enemy's will to resist—a favorite target of naval and air-power enthusiasts and of formerly water-isolated powers such as the U. S. and Britain—must be excluded from target systems in limited warfare. It is necessary to recall that with modern weapons, terror bombing to destroy the Communist will to resist is tantamount to genocide and is increasingly an invitation to mutual suicide.

2. Modern weapons mean that just as the world's No. 1 land power (Russia) can achieve practical equality in strategic warfare in spite of former Anglo-American air-naval supremacy, so can free-world land power, using tactical atomic weapons, achieve practical equality at least in defense against Soviet-Chinese armies. Containment in the military sense must be pursued, and this means Western land power must exist on the free continent of Asia under bilateral or collective-security pacts.

(Continued on next page)



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NEEDED TO PHOTOGRAPH SOVIET SATELLITES

1 RB-47

NEEDED TO PHOTOGRAPH COMMUNIST CHINA

18 RB-47s

COST OF PHOTOGRAPHING U.S.S.R. ONCE

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NEEDED TO KEEP UP TO DATE

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. . . "Decisive air battles will be fought in early weeks"

3. The notion that the object of war is total victory must give way to the concept that the object of war is more workable peace. There can be military victory in specific battles, but the idea of national victory in total war is nonsense.

4. The plea of the military never to have their hands tied must not be unreservedly accepted. The very idea of limitation in war involves restraint of the military, primarily as regards their objectives, and sometimes their means. The idea never to permit the enemy sanctuary must be abandoned; sanctuary may be two-sided and thus a useful approach to limitation. Who would not exchange a Kiev for a Coventry or a Detroit?

5. The mobilization base for a very long war—vast raw-material stockpiles, stand-by war industry, and conscript manpower reserves—is unnecessary and costly. In nuclear times, the decisive air battles will be fought in the early weeks. The issue will be decided with military forces in being at the outset; although some mobilization might be possible in a period of tension before war, post-D-day mobilization can contribute essentially no military forces to the decisive actions. What is required is sufficient resources to show that we can, if necessary, continue the fight more intensely than the aggressor for months, but not years. This requires stocks of military supplies more than mobilization potential.

Furthermore, limitation in fast-moving modern warfare requires that early battle victories be quickly exploited for peace with preannounced, moderate terms. After the short decisive phase is over, massed counteroffensives to teach the enemy a lesson may be emotionally satisfying to a wronged, indignant and self-righteous people, but it is not the civilized approach of limitation in warfare. During the decisive weeks of battle or even during the period of tension before war, a peace of reconciliation must be readied for prompt presentation as a preferable alternative to continued war.

Renouncing City Attacks

Many objections to the practicability of Graduated Deterrence can, on the face of it, be claimed. Closer examination suggests that some of these objections are misunderstandings, most can be overcome, and the rest probably amount, on balance, to less than the objections to Massive Deterrence.

At all events there seems much to be gained and nothing to be lost by attempting at least the first step toward Graduated Deterrence—the development of a distinction between cities and armed forces, and between hydrogen and atom bombs when using mass-destruction weapons.

Shortly it might be possible, as a second step, to announce two promises along the following lines, *without necessarily waiting upon any agreement with the Communists:*

"In the event of aggression, we will, if necessary, use atomic and chemical weapons against armed forces. But we will not use hydrogen or bacteriological weapons *at all,* unless the aggressor does."

"We will not use *any* mass-destruction weapons against centers of population—regardless of the targets they contain—unless the aggressor first uses them deliberately. The only exception might be towns and cities in the front line of land fighting, not declared and proved to be 'open.'"

The Communists will have every reason to conform to these rules of limitation, even though they can be expected at first to object for propaganda purposes. As a third step, a twentieth-century code of warfare can be negotiated, under the auspices of the U. N., to provide modern conventions for military sanctions against aggressions. Formalization of the rules of warfare by both sides is historically effective in deterring and limiting warfare, providing reliance for observance is not placed on ethical principles but on certainties of military counteractions.

The First Phase of Disarmament

Four questions regarding the disarmament negotiations can be usefully raised. First, does not the road to disarmament run through Graduated Deterrence? Incentives for retaining national military power will remain until an international system of military forces is aligned which make the penalties for each type of armed action both certain and greater than the possible gains.

The organization of the mass weapons forces of the world into a system of Graduated Deterrence is likely to be a necessary task before arms reduction can be negotiated. Until all avenues for aggressive armed expansion are decisively blocked with mass weapons and a new diplomacy has learned to seek national objectives through means other than the threat of force, enforceable disarmament is not a hopeful prospect. There must be "tactical" as well as "strategic" stalemate.

Second, during each stage of arms reduction on the way to the ultimate goal of full disarmament, should not the basic principle of deterrence be adhered to—namely, that the probability of loss in aggressive military action should be maintained considerably greater than the probability of gain? Atomic weapons are most effective for inflicting penalties directly on military forces and for making armed aggression unprofitable. This would indicate that, to avoid Russian-Chinese dominance of Eurasia, atomic weapons can be eliminated only in the last disarmament stage.

Third, are the proposed stages designed to minimize danger that the Soviets, who can rearm more quietly and quickly than the democracies, could achieve a major relative gain by breaking the agreements after disarmament was under way? Again, retention of atomic weapons until the last stage of disarmament could mitigate this possibility.

Fourth, today, as contrasted with 1947, are not the technical problems of controlling burgeoning stockpiles of nuclear bombs of decreasing size and cost virtually insurmountable, even with freely operating inspection? If so, the means of mass delivery, i.e., military forces, must be eliminated first to avoid the possibility of numbers of hidden bombs being subsequently delivered by "conventional" forces.

Disarmament cannot achieve its purposes unless it is *complete, universal* and *enforceable on individuals and internal police forces.* It must eventually be *complete* as regards all weapons greater than needs of internal national police forces. Further, small nations may, a few years hence, come into possession of nuclear weapons so that disarmament must be universal.

Through world law restricted to armament matters, enforceability must be on individuals to reduce the possibility of a nation shielding organized circumvention of control provisions. Arms levels of national police forces must be small enough to permit enforcement by a world police force.

It will be many years before such limitation on *possession* of arms can be organized, during which period Graduated Deterrence plus free aerial inspection and spot ground inspection are needed to forestall *use* of armed force. All stages of arms reduction must respect the principles of Graduated Deterrence and continue with such deterrence on *use* until controlled *possession* of arms throughout the world ap-

. . . "New weapons present opportunity to eliminate warfare"

proaches internal-police proportions, and until a world police force, operating under world armament laws and at first equipped with atomic weapons, exists which is strong enough to enforce arms limitation on national police forces.

Let us, therefore, beware of making any agreements on disarmament, the future of Germany or the withdrawal from bases which will in any way prevent us from adopting Graduated Deterrence.

Let us beware of being hurried into any unsound agreements because of popular fears engendered by our present policy of Massive Deterrence, when we can have available an alternative in Graduated Deterrence—basically less risky and frightening, and a surer basis for disarmament.

Let us also publicly nourish the principles and study the details of distinguishing between types of targets and types of weapons.

The new weapons, which threaten civilization itself, present the greatest opportunity in the history of man to eliminate warfare as a calculated means of achieving national ends.

In rising to the challenge, the first step is for the West to contribute to the enforcement of world peace through organizing Graduated Deterrence. Once there is *Graduated Mutual Deterrence* in the world and not just *Massive Mutual Deterrence,* determined negotiations can lead first to progressive limitations on possession of arms, and eventually to success in achieving universal, complete and enforceable disarmament.

The Western powers can find scope for continued initiative in the following proposals to limit the use of weapons as a prelude to limitation on their possession:

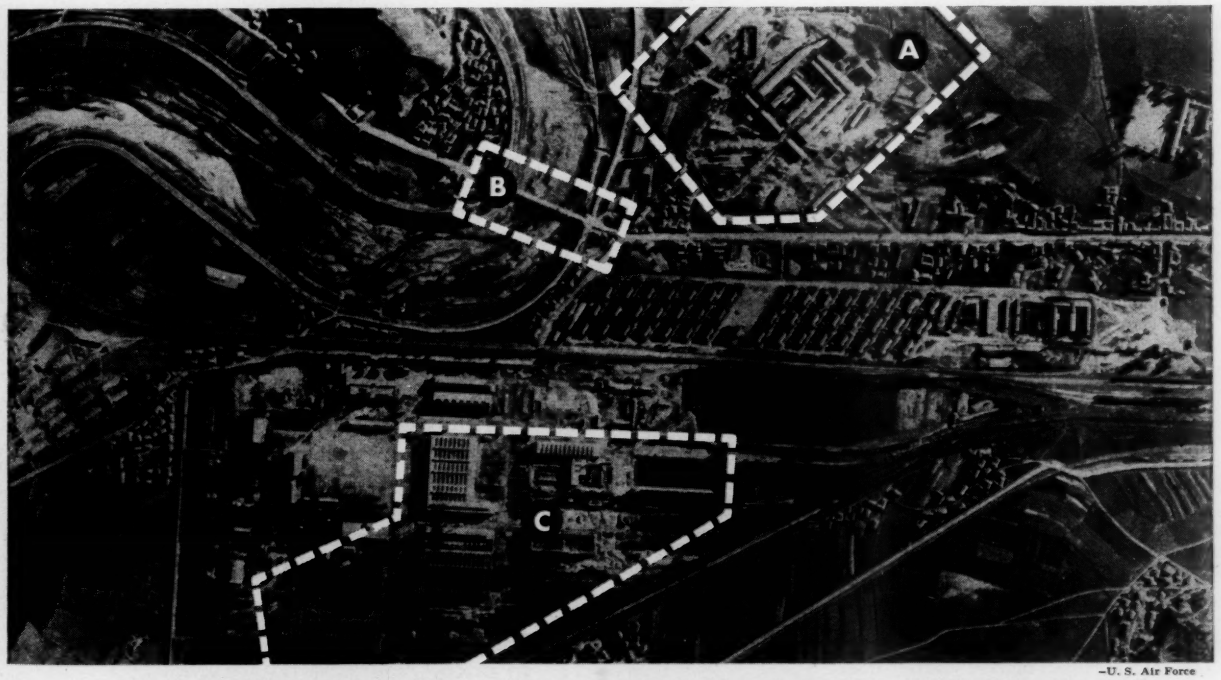
1. Press hard for a limited inspection system comprised of free aerial inspection throughout the world and ground inspection at major military installations, as a measure to eliminate the mutual fear of surprise attack and as a first step toward full and free inspection upon which arms reductions can later be based.

2. Announce Western adherence to the principles of Graduated Mutual Deterrence until disarmament can eventually be arranged which is complete, universal and enforceable on individuals and national police forces.

3. Publicly promise to withhold any H-bomb or bacteriological attack, unless an aggressor attacks with them first.

4. Study ways of distinguishing between cities and armed forces, and when a distinction can be drawn, promise not to attack cities with weapons of mass destruction, unless an aggressor does so first.

But the beginning of all these steps is aerial reconnaissance of the Soviet Union, as so dramatically proposed by the President at Geneva. To even begin on a long-range program of limiting the use of arms and perhaps eventually discarding arms, the first essential is to gain time by preventing any surprise attack that would begin a general war of mass destruction.



—U. S. Air Force

THIS PICTURE SHOWS HOW YOU CAN WATCH AN ENEMY FROM THE AIR

Here is an actual aerial-reconnaissance photograph of Wonsan, Korea, taken by the U. S. Air Force during the Korean war from an altitude of about 30,000 feet. Easily picked out are a new industrial plant under construction (A), a concrete highway bridge over a marshy-banked stream (B), and a locomotive works with engines noticeable in the yards (C).

It is just as easy to photograph and identify bomber and fighter fields, guided-missile launchers, atom-bomb factories, arms plants—any military or industrial establishment—from pictures taken at altitudes ranging up higher than 60,000 feet. Air-intelligence experts find even tiny details by using duplicate pictures in a stereoscope for three-dimensional viewing.

Special Report

(This article represents the result of an extensive research on a problem of outstanding importance.)

BUMPER CROPS AGAIN BUT FOOD PRICES STAY UP

The total 1955 output of food from U. S. farms promises to top all previous records. Meat, especially, is to be in abundant supply this autumn.

Here you get a complete picture of the supply and price prospects for all major food items in the months ahead.

Too, you find out why food prices stay high despite the big supplies.

Americans, already eating better than ever before in history, will continue to be well fed. This is assured by the abundant harvest of food now pouring out of the fields and feed lots of American farmers.

The price tag on this food, despite the abundance, is expected to stay about the same.

The biggest supply of meat since 1908 is headed for U. S. dining tables. Production of milk and dairy products continues at record levels. A huge potato crop is rolling in. There are more fresh vegetables than a year ago. And plenty of turkeys are to be available for carving at Thanksgiving and Christmas dinners.

This year, in the opinion of production experts of the Department of Agriculture, promises to set a new high in output of farm products.

From the standpoint of price, the big harvest doesn't promise to bring shouts of joy from either farmers or consumers. In fact, farmers are faced with a continuing downward trend in income, according to economists of the Department of Agriculture. Though they will have more to sell, farm prices will be down enough to reduce their total 1955 income. As for consumers, they can look for only the usual slight seasonal decline in the total cost of their market basket from now up to the end of the year.

Few foods are expected to show any sizable change in price. Eggs, it is predicted, will take an appreciable rise. Pork will take a drop. Cost of frying chickens will be down somewhat. The big potato crop has sent prices tumbling already. Coffee will be cheaper.

In months just ahead —

Food Outlook For the Housewife

BEEF	**Supplies about the same as last year. Price to rise a bit on choice grades, hold steady on lower grades.**
PORK	**Abundant supplies. Prices to decline moderately, dropping more on fresh pork than on bacon and hams.**
EGGS	**Production lower than last year. Prices to rise substantially.**
FRESH MILK	**Supplies the same as last year. Slight seasonal increase in price ahead.**
BUTTER	**Abundant supplies. Possibly a slight upturn in price.**
MARGARINE	**Vegetable-oil supplies down from last year. Price to go up slightly.**
APPLES	**Close to average crop in prospect. Price to drop seasonally.**
CANNED PEACHES	**Small crop this year. Price to stay about the same.**
POTATOES	**Abundant supplies. Price to decline.**
CANNED PEAS	**Larger pack than last year. Little change in price.**
COFFEE	**Much bigger supply than last year. Price to drop.**
SUGAR	**Surplus supplies on hand. Little change in price.**

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Cost and supply. In a check of the more common items in the U. S. market basket, the Economic Unit of *U. S. News & World Report* sizes up the food situation like this:

Meat from farm feed lots packed with fattening hogs and cattle **hits a 47-year** supply record this year. The total may go as high as 161 pounds for each U. S. consumer. Of this, more than half will be beef and veal, on which prices are expected to remain about the same except for some increase in the choice cuts of beef.

Hog numbers are considerably higher than last year. Prices paid to farmers will sink enough to reduce retail pork prices below current levels and below those of last autumn. Fresh pork will drop more than the cured cuts—bacon and ham.

Egg prices are due to turn upward. Farmers, stung by low prices last year, have put fewer hens in their laying houses and so will have fewer eggs to put on the market.

Chickens and turkeys will be in good supply—enough to force prices lower, especially in view of competition for the housewife's dollar from the record supply of red meat.

Milk and butter prices are not expected to change much during the rest of 1955. There will be a slight seasonal rise in fresh-milk price due to the lower production that comes with the autumn months. Butter may go slightly higher, but Government supplies, which will be drawn from storage by any price upturn, will prevent large increases.

Fresh vegetables, generally speaking, are in good supply, and prices will trend downward until the season runs out in September and October.

Canned fruits, despite spring-freeze damage to some tree fruits, notably peaches, will be in good supply. Prices aren't expected to vary much except for increases due to processors' costs.

The apple crop is up to average, and prices will drop as the harvest gets into full swing. Fresh and frozen citrus fruits are in ample supply, and little price change is in prospect.

For coffee drinkers there's good news in reports of a much bigger crop this year and of Brazil's anticipated lowering of its export price, which is expected to bring lower coffee prices at stores in this country.

Why prices stay high. In the midst of this year's record harvest of food, the U. S. farmer stands perplexed. His prices are now about 20 per cent below the level of 1951, when he was enjoying his best postwar year. But prices that consumers pay for his products have not dropped anywhere near that amount. Many consumers are blaming him for the high cost of food.

This situation is shown in records kept

(Continued on page 78)

"I still think this is the hard way to get over a Cyclone Fence"

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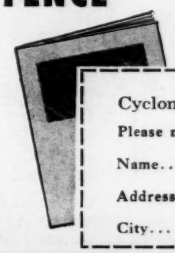

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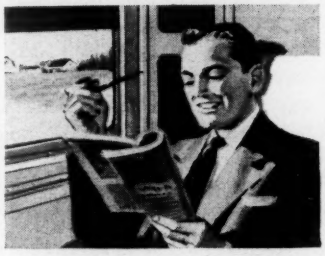

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Farm prices fall by 20 per cent; groceries, only 5 . . .

by the Department of Agriculture in terms of the "market basket," which is described as the amount spent each year by the average urban wage earner's family for food produced on U. S. farms. They are shown for the years starting with 1946 in the chart on this page.

In 1951, when farm prices were at their peak, this market basket cost $1,026. Since then, while farm prices have been dropping 20 per cent, the cost of the market basket to the family in town has dropped only 5 per cent—to $975.

WHAT'S HAPPENED TO FOOD PRICES

*Annual cost of food to city consumer**

1946	$ 767
1947	$ 932
1948	$ 994
1949	$ 939
1950	$ 924
1951	$1,026
1952	$1,028
1953	$1,002
1954	$ 985
NOW	$ 975

*Amount spent by average urban wage-earner's family for foods produced on U.S. farms; includes processed farm products but not imported foods and fishery products, or restaurant meals.

Source: Agriculture Dept. © 1955, By U. S. News Pub. Corp.

The hard fact that confronts the farmer is that his share of each dollar the consumer spends for food is dwindling from year to year. In 1952, it was 47 cents. Now it is down to 41 cents, only a penny above the 40 cents that he received in the prewar period 1935-39.

Who is to blame? These statistics, say farm leaders, show that farmers can hardly be blamed for the failure of food prices to drop to lower levels. They point out that big cuts in the price a farmer receives for his product often bring no decrease at all in the price the consumer pays at retail.

. . . Wheat down 10 per cent, baked goods cost more

Another illustration, reported in a study by the Agriculture Committee of the U. S. House of Representatives, is a comparison of trends in the farm price of wheat and the retail price of cereal and bakery products. Price paid to the farmer for wheat is down more than 10 per cent since 1952, but the price of cereal and bakery products has actually increased.

So, many farm leaders point to the middlemen—the people who process and distribute food—as the persons the housewife should blame for the fact that retail food prices have fallen relatively little from the levels of 1951 and 1952.

Built-in services. The middlemen acknowledge that their charges have increased, but this they attribute to the fact that wages and transportation costs keep edging up. Another big factor, they say, is that today's housewife is demanding "maid and cook" services along with her food.

The housewife, in the opinion of Secretary of Agriculture Ezra Taft Benson, must concede that her desire for modern methods of food processing and packaging is a real factor in the cost of her market basket.

"I am informed," said Secretary Benson in a recent speech, "that housewives today use 12 times as much frozen vegetables as they did a few years ago. They use 50 times as much frozen orange concentrate for making orange juice as they did only 8 years ago. The American housewife demands convenience, not only in the appliances and utensils she uses in her kitchen, but she demands it in the food itself. She wants extra service—extra time saving—extra quality—extra nutrition—and in all things, extra convenience."

And, points out Secretary Benson, in terms of "real earnings" food is one of today's best buys. A day's take-home pay will buy considerably more groceries than it would 30 years ago. And in today's market basket is the "maid and cook" service that frees the housewife from much of the drudgery of food preparation of former years.

What it all adds up to, in the opinion of most economists, is this: The U. S. market basket this year will be filled to the brim by the biggest outpouring of farm products in history. Consumers, riding an unprecedented wave of prosperity, should have little trouble paying for that market basket. Farmers appear to be stuck with steady to lower prices until the number of consumers of their products catches up with their ability to produce.

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Interview with U Nu

Prime Minister of Burma

"PEACEFUL COEXISTENCE" AS IT LOOKS IN ASIA

Now that the U. S. is opening talks with the Chinese Communists—

Do the Reds really want to make a deal?

Will they settle for anything short of Formosa and a place in the United Nations?

How does the U. S. stand in Asia?

U Nu, Prime Minister of Burma, is one of the outstanding neutralists in his part of the world. He has visited with Red leaders in China and U. S. leaders in Washington. He is friendly with the Chinese Communists, while he fights the Communists in his homeland.

During his recent trip to Washington, Prime Minister U Nu came to the conference room of *U. S. News & World Report* for the following interview, in which he discusses such things as "peaceful coexistence," the future of China, and the U. S. role in Asia.

Q Is it a widely held opinion in Asia, Mr. Prime Minister, that it would be better if the United States got out altogether?

A There are some people who would believe that, though I cannot tell you what my opinions are. We are neutrals and we must stay neutral.

Q What is your definition of a "neutral"?

A A neutral country is a country which doesn't join any power bloc.

Q Should it try to influence the attitudes of power blocs?

A Not entirely. What we are trying to do is to build a bridge to bring the two together as much as we can. We know very well that our country is a tiny country, but in our own small way we are trying to do as much as we can.

Q Do you believe in peaceful coexistence?

A Yes.

Q What does that mean to you?

A Well, of course, I don't believe in war. The alternative to peaceful coexistence is war, nothing but war. That I don't believe in war does not mean I am afraid to fight. If a war comes and if it is necessary for me to fight for the cause which I love, I am prepared to fight. But I fear that if there is war, it will mean the destruction of all things that we stand for. I can give you concrete examples. After the first World War, what happened? Russia became a Communist country. After the second World War, what happened? China became a Communist country. A lot of little countries have become Communist countries, and we very narrowly escaped being a Communist country. And if there is another war, what will happen? That is my logic. That is why I do not want war at all.

Q Do you think it would be a good thing, in order to prevent war, to set up a neutral bloc in Asia?

A Not a bloc. We don't have any bloc at all, in the sense that some people have blocs elsewhere. But we have informal talks in order to do whatever we can.

Q Which countries would be involved?

A India, for example—India, Burma, Indonesia, Ceylon—

Q Do you think that peaceful coexistence might be merely a proposal by aggressive-minded nations to seek more time to prepare for aggression?

A No. I have heard that argument, but I think it will not stand examination. For instance, we have announced agreement on what we call the five principles of coexistence. These are simple principles: First, respect for sovereignty and territorial integrity; second, nonaggression; third, noninterference in the internal affairs of another state; four, equality; five, mutual benefit.

Now, is there anyone who would say publicly that he opposes any of these five principles? Yet when we announced our agreement on these principles with the People's Republic of China, some people said that we were only being dupes. They said that we wanted to "appease" the Communists. They said that the People's Republic of China could not be trusted to live up to these principles, and therefore they would not subscribe to them. But I think a principle is a principle. If I think that a principle is right I am happy to have anybody subscribe to it. If he later fails to live up to it, the onus is upon him.

Q Might that not be too late? Isn't it true that the people who criticize your policy think the Communists do not take these principles seriously, but are merely seeking time to prepare for aggression?

A Oh, but those people always overlook everything else that we say and do, and I think you have overlooked it too. At the Conference in Bandung, and repeatedly before that, I said that we do not suggest that all of our reliance should be placed in public agreement on the five principles of coexistence.

I said that we must also do two important things to protect against any aggression that might be started in violation of

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Big Threat: Subversion . . . "100 Years" for Red China To Solve Own Problems . . . War "Helps Communism"

the five principles: First, we should strengthen the United Nations and make it really effective, so that everyone will know that aggression cannot be successful; second, we must eliminate the conditions on which subversion feeds and grows. This is the most important thing.

Q You feel, then, that it's necessary to keep your powder dry?

A Of course. But I also agree with my critics who always tell me that internal subversion is the most dangerous threat. I have had experience with this, and I think that subversion would have succeeded in Burma if we had been more preoccupied with keeping our powder dry than with removing the seeds of subversion. My policy is this: First, be friendly with all, whether they are friendly or not; second, fight if necessary, and build up the United Nations to prevent external aggression; third, work for the welfare of the people so they will have no cause to follow subversive leaders. If a nation is inherently strong, it will not fall prey to subversion. We are trying to make ourselves strong. We adopt all sorts of measures to do this.

For instance, we try to do away with social injustices. We try to do away with the Government injustices. We try to make our people as educated as possible. We try to give as much good health as possible. Our people had been neglected for a good many years. By doing all these things, they become strong.

If these things were not done, they would become easy prey to all sorts of propaganda. When somebody comes to them and says, "Land to the tillers," they would sit down and think whether that fellow could give them land or not. After the adoption of all these measures, our people are not so gullible, are not afraid. They are not easily swayed.

Q To go back to coexistence, do you think the Government inside Burma could coexist peacefully with the Communist Party that you now suppress?

A If they would drop their violent methods, we would give them a chance. We are not afraid of them. We are not afraid of Communism in Burma.

Q Do you think the U. S. can coexist peacefully with the Soviet world?

A So long as the people who are against Communism are honest, so long as they are sincere, so long as they have the welfare of their people at heart, so long as they have the ability to implement plans for the welfare of the people, they need not be afraid of Communism.

Q How would peaceful coexistence relate to the situation around Formosa? Could the situation around Formosa be resolved short of a war?

A I have my own proposal. I don't think I can discuss it publicly.

Q Did you talk about this problem when you were in Peiping?

A Yes. Even after Peiping I met Premier Chou En-lai in Rangoon and once again in Bandung, and after Bandung again in Rangoon, and we talked about this. We discussed it fully.

Q After these talks with Chou En-lai you feel that there is a peaceable solution. You feel that they do not want to take Formosa by armed force?

(Continued on next page)

–USN&WR Photo

PRIME MINISTER U NU IS INTERVIEWED IN THE CONFERENCE ROOM OF *U. S. NEWS & WORLD REPORT*

. . . "I think there is a peaceable solution" for Formosa

A I think there is a peaceable solution, but no one will get everything he wants. Both sides will have to make concessions.

Q Could you tell us some of the impressions you brought out of your visit to Peiping?

A One thing that impressed me most is the sincerity and the honesty of the Government leaders from [President] Mao Tse-tung on down. They seemed to me to be very honest people. I was very much impressed with the fervor with which they were trying to create a new China.

Q When you say "honest," do you mean removal of corruption?

A They have tried to remove corruption, and then they themselves are personally honest. Of course, I had occasion to meet the leaders only on the upper level.

Q What was the reaction of the Chinese leaders when you made your widely quoted remark that the Americans were a brave and generous people?

A They agreed with me entirely. Mao Tse-tung agreed with me. He often spoke to me about how brave and helpful they were in the war against Japan, and so on. General Chu Teh [Army Commander] was sitting next to me and next to him sat Prime Minister Chou En-lai. When I sat down they complimented me and said that I was quite right. They were only against a certain section of the American people, not against the entire American people. They have a very high opinion of the American people. Even now, you see, from time to time, Peiping has followed up my speech by saying that American people are very brave and fine people. Only the other day Chou En-lai said so.

Q Regarding this sincerity with which you felt the Chinese leaders were building a new China, do you feel that, once the new China is built according to the lines now planned by the Communist leaders, there will be any danger for the surrounding countries?

A I am not a seer, so I cannot predict what will happen some time in the future. But I can tell you this much. China is a very big country. They have tremendous problems to solve. They have 600 million people who are now leading a sort of subhuman life. They have insufficient accommodations, insufficient clothing, insufficient food. Their standard of living is very, very low. In order to solve these minimum problems, I think it will take them something like 100 years.

U. S.: RIGHT OR WRONG?—

Q How do people in Burma feel about the U. S.? Do they think that this country is making the right approach to Asiatic problems?

A Some don't think so and others do.

Q Where do those who don't think so feel we are falling short?

A I will not try to justify them, but, since you have asked this question, I must answer it frankly. Some thought that your people were warmongers, for instance—that you wanted to have a sort of preventive war.

Q Do they get that from our officials, or from what they read in the newspapers, or what?

A I didn't go so far as to ask them from what source they got that, but that, at least, is their opinion.

Q Is that kind of opinion held by the majority of the people or by a minority?

A As a matter of fact, that is very hard to tell. In Burma, the people who would like to defend America are not so articulate as those who would like to attack it.

We have pro-Communists there, and you know that everywhere they are the most articulate group of people. They don't have many people in their party, only a small group, but they are well organized, very active, very dynamic. They will use any excuse to attack any country that they hate.

Q This opinion that the pro-Communists are spreading—does it reach the majority of the average citizens in Burma?

A Fortunately, no, no. In our country communications are not as perfect as they are in your country, so newspapers generally cannot reach every village. The circulation of the biggest newspaper in Burma would be about 15,000. That figure, perhaps, is a trifle here. Due to this lack of good communications, those who would like to spread their propaganda cannot reach most of the people. We have little villages scattered all over the country, and about 85 per cent of the people in Burma live there. Only 15 per cent of the people live in urban areas and in areas around about towns. In the circumstances, propaganda reaches only a small section of our population.

Q The other 85 per cent have no radios or other communications?

A Very few radios, and very few newspapers.

Q How many people are there in Burma?

A About 20 million.

Q You mentioned the Communist and pro-Communist elements in Burma. Is the Communist Party a legal party in Burma?

A No, it is not. But there is a pro-Communist party.

FIGHTING CHIANG'S TROOPS—

Q You've been fighting the Communist Party for several years, haven't you, and successfully?

A I would say so. And if it had not been for Chiang Kai-shek's troops up in the north of our country, against whom we had to send quite a lot of our best troops, we would have liquidated the Communists by now. We had already made plans and, as you know very well, we had to get our troops trained and suitably equipped to liquidate the insurgents. But all of a sudden we were called upon to deploy a large section of our best troops to fight Chiang Kai-shek's aggressors in our territory.

Q Are the Chinese troops living up there as organized units, or are they just small groups scattered here and there?

A Both—some organized and some guerrillas. They not only oppress those people who cannot be well taken care of by our Government but they have also aligned with the insurgents. They have had transactions with the Communists, and they trade, among others, arms and ammunition. Local insurgents have even bazookas, which are not easily procurable.

Q Getting ready for an insurgence again—is that it?

A Yes. And miraculously, I once escaped from an ambush where a bazooka was used. One naval escort was sent to fetch me from a distant town and I was waiting for that. They intercepted that boat, mistaking it to be carrying me, and fired bazookas. The commander of that naval boat was killed.

Q How long ago was that?

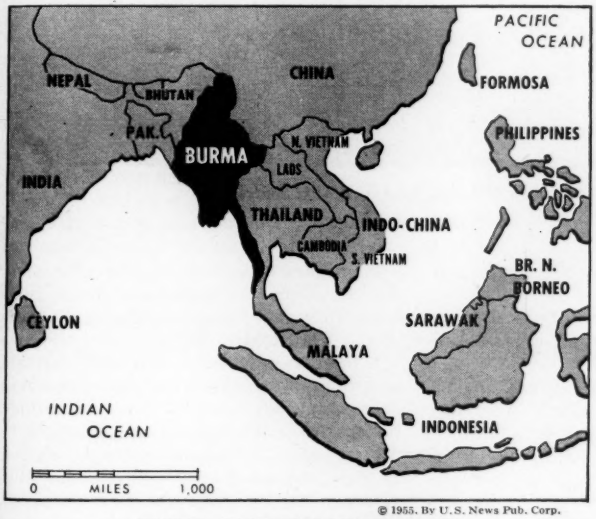
A About a year and a half ago.

. . . U.S. aid? "No, we could not afford to tie ourselves up"

Q Are they still quite a problem as of today?

A No. We have the measure of the insurgents, utilizing our own resources.

We don't like to depend too much on resolutions. We believe in our own strength. Once we referred the matter to the United Nations, not because we thought the United Nations might be able to help us effectively, but because we did not want to be accused of harboring these Nationalist troops. You know, despite their blatant aggression against our country, some people would have accused us of harboring them without a murmur. So, in order to counteract that kind of propaganda, we referred the matter to the United Nations. But we didn't believe that the United Nations resolution alone would prompt the aggressors to evacuate. We launched major military operations against them. In any case, we must give due credit to the United Nations for the moral support given to our right cause.



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BURMA AND HER NEIGHBORS

Q How many insurgents are there left?

A Our present estimate is roughly about 4,000.

Q Are they well armed?

A They used to be very well armed when they started their insurrection. After our independence, the British left behind six battalions of native soldiers trained by them in the Burma Army. Four and a half mutinied against the Government. We had only one and a half to cope with them. This was in March, 1948, three months after independence. We got our independence in January, 1948. And out of these four and a half, three were the best-trained troops in Burma.

Q What happened to them? Did they go over to the Communists, or what?

A We haven't only Communist insurgents. We have all sorts of insurgents, so many that we used to call them "multicolored"—Communists, anti-Communists, KNDO's, MNDO's, and a volunteer organization which we had set up to fight for our independence. After we won our independence, these organizations broke away from us in general insurrection.

Q There is a general impression that most of the Communists or insurgents are Chinese. Is that wrong?

A They are not. That would be true in Malaya. The Chinese Communists are very correct toward Burma.

Q How long is your border with China?

A About a thousand miles. All we could do was keep some intelligence officers along the border to watch. The reports were unanimous that the Chinese Communists were very correct in their attitude toward Burma. They did not even take one step across our border.

Q Then your Communists are native to Burma?

A Yes.

Q Are they supplied, however, from China?

A No. These four and a half battalions took with them almost all the arms that we had. I am speaking of the soldiers only. And we have a semimilitary organization also trained to fight the insurgents, trained after the outbreak of insurrection. They also took away arms and mutinied against the Government. They took away not less than 10,000 rifles, for instance. In a small country like ours, you see, 10,000 rifles is not a mere trifle.

Q What finally became of those four and a half battalions?

A They were more or less crushed. We crushed them everywhere. And many of them surrendered.

Q So that this guerrilla warfare is not too severe a problem now?

A Not now. It used to be very serious, once upon a time.

Q But there is still some going on?

A There is some still going on in those areas where we could not as yet send our troops, but all the important areas are now completely controlled by Government.

Q There's none of that around Rangoon, for example?

A No. That is all under control.

Q In fighting these guerrillas, are you receiving any United States aid?

A No, we have not applied for it.

Q There's a general impression that it was offered and you turned it down—

A The United States perhaps wanted to have a military pact with us, but there were no negotiations over it.

Q It was not a formal offer, then?

A No. They perhaps wanted to discuss it.

WHY FOREIGN HELP IS OUT—

Q Why was your Government not in favor of it?

A Because of public opinion. In our fight against the general insurrection, we could not afford to tie ourselves up with another government. Public opinion would have been against it.

Q It had to be your own fight—

A Yes.

Q Why did public opinion take that view?

A It will require a long explanation, but I can tell you this much. You know that for so many years we were under the rule of a big power, so that any help that would have come from another big power would have been interpreted as an attempt to win us over. That is the general opinion in our country.

Q Are you getting economic or military aid from any other country now?

A No. But since then, to be fair to your country, we have made a public declaration that we are not going to accept any free aid from any country.

AUTOS: FORD FORMULA FOR ALL?

Smaller Companies Face Trouble, Resist

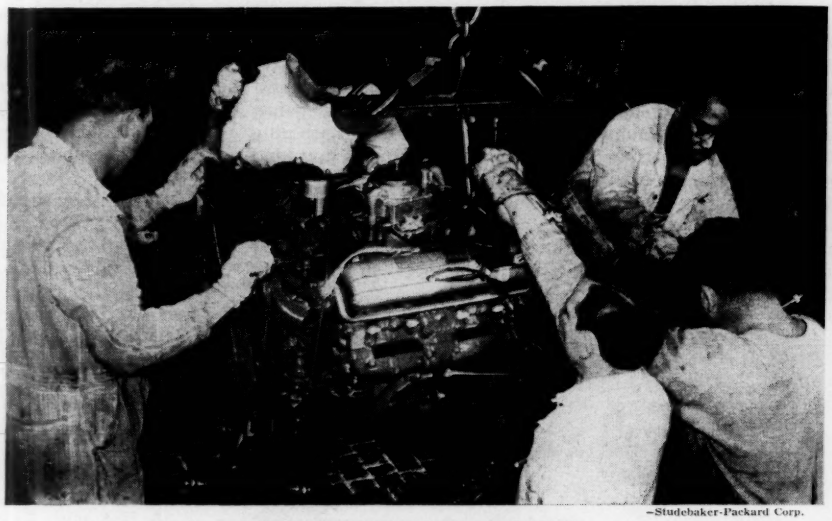
Not all auto workers are assured of the wage and layoff concessions that Ford and General Motors gave their employes.

American Motors and Studebaker-Packard are taking a long look at the industry "pattern." They want help from the union in cutting costs so they can compete with the Big Three.

A hitch is developing in the 1955 wage plans of the CIO Auto Workers Union. Smaller automobile companies, struggling to cut costs and regain a larger share of total car sales, are not rushing to line up behind the agreements on pay approved by Ford and General Motors a few weeks ago.

When Ford and General Motors settled with the union for a package increase of around 20 cents an hour, including an arrangement for unemployment pay, it was assumed widely that the rest of the industry would fall in line. But things are not going according to union plans.

Chrysler, third of the Big Three, is accepting the principle of the Ford-GM contract, but companies that manufacture Nash, Hudson, Studebaker and Packard cars still are holding out.



—Studebaker-Packard Corp.

STUDEBAKER-PACKARD EMPLOYES
. . . 1,700 were dropped from the payroll

Labor-cost question. Behind this holdout is the problem of labor costs in a highly competitive field.

American Motors Corporation, maker of Nash and Hudson, contends that the UAW, over the years, has forced labor costs at Nash and Hudson plants to a level higher than costs in the plants of the Big Three. It wants some concessions from the union before signing a contract of the Ford-GM type.

Studebaker-Packard Corporation, also trying to reduce labor costs, has dropped 1,700 workers from its Studebaker plant. The company is attempting, through higher work standards, to produce as many cars with 9,000 workers as it produced with 10,700. The union is protesting and work has been interrupted by a series of "wildcat" strikes.

In both cases, the smaller companies are trying to drop from their contracts certain provisions that have been written in over the years but which are not contained in the GM-Ford-Chrysler agreements.

Here is the story of what these two companies are trying to do to bring their costs in line with those of the larger companies, and thus assure themselves of a bigger share of the new car market:

—American Motors Corp.

AT AMERICAN MOTORS CORPORATION . . .
. . . the company wants some concessions from the union

DETROIT

American Motors, in its negotiations with the Auto Union, is holding out against the view that once a contract is signed in the auto industry, all car manufacturers should follow the leader and sign the same kind of agreement.

Edward L. Cushman, American Motors vice president for labor relations,

has stated the company's position this way:

"The problems of American Motors and therefore of its employes in 1955 differ so substantially from the problems of General Motors or Ford that different approaches must be explored." He added that pattern settlements in the auto industry had to end this year, and that his company's new contract must be based on "the economic facts of 1955 as specifically related to American Motors."

Objection to "patterns." Company officials take the position that the firms merged in American Motors were forced, in past years, to make more concessions to the union than were contained in the so-called "patterns" fixed by the larger firms. American Motors calls this "pattern plus" bargaining and says it must stop.

The company contends that in almost every wage classification the rates at American Motors have exceeded those of the Big Three companies. It is said, for example, that most production workers at the American Motors body plant in Milwaukee are paid $2.08 an hour, whereas Big Three rates are on a sliding scale based on skills, with pay lower than that figure for comparable jobs.

American Motors cites its pension plan as another example of more favorable concessions to the union. Mr. Cushman said the union is claiming a victory in obtaining so-called "vesting" rights from General Motors and Ford. Under "vesting" rights, workers sometimes can take their pension rights with them when they leave their original employers for other jobs. This vesting practice, Mr. Cushman explained, has been in effect at American Motors since 1953, and it does not contain certain restrictions found in the later plans.

Wage differences? In still other ways, American Motors claims its labor costs are higher than those of the Big Three. These examples are cited: American pays workers for an 8-hour day, although only 7 hours and 16 minutes actually are worked. At General Motors, Mr. Cushman said, work time is 7 hours and 36 minutes. American Motors contracts provide for wash time and snack periods not granted in the Big Three agreements.

In negotiations for a new contract, American Motors has asked the union to accept the basic principle that these, and other, higher labor costs should be removed, and that costs be brought in line with those of the Big Three. As of now, no concessions from the union have been announced.

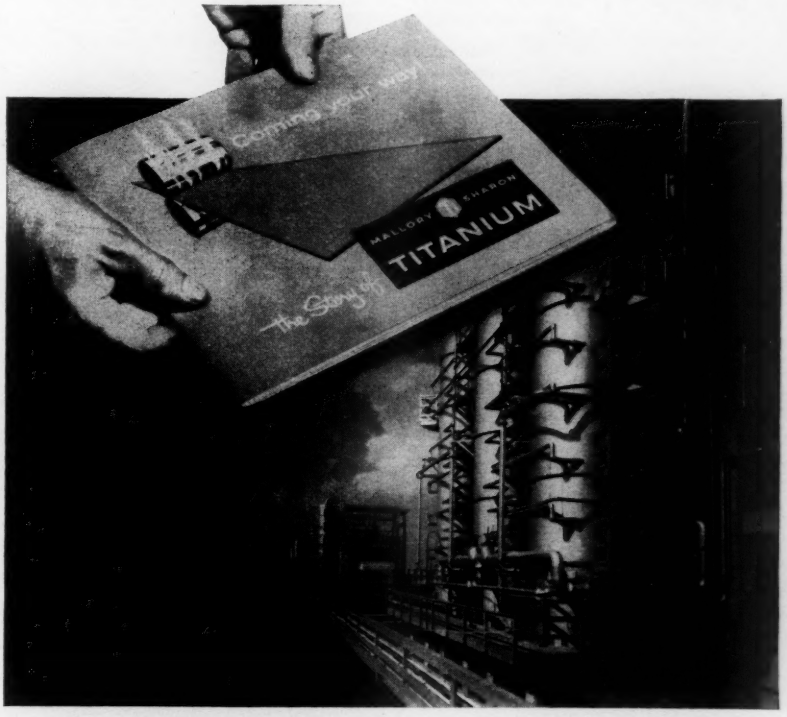
SOUTH BEND

The same problem of production costs that is troubling other "independent" auto firms is behind recent labor troubles at the Studebaker plant here, threatening more difficulties when the Auto Union

(Continued on page 86)

MALLORY·SHARON reports on

TITANIUM



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Studebaker's aim: to reduce labor costs . . .

negotiators sit down soon to negotiate a new contract with Studebaker-Packard.

Five-year contracts, written separately with Studebaker and Packard before their merger, are due to expire around September 1.

When Studebaker announced on July 6 that it was about to lay off 1,700 employes and expected to get the same production out of the remaining 9,000 employes, it brought the troubles to a crisis stage. But trouble had been building up since January. Sporadic wildcat strikes have kept the Studebaker plant shut down much of the time recently.

Independent's story. The company's position was explained to the people of South Bend in a recent television appearance of James J. Nance, president of Studebaker-Packard.

Mr. Nance recalled that a year ago Studebaker cut wages by agreement with the Auto Union, in an effort to get into a better competitive position. Then, last autumn, Studebaker merged with Packard.

Mr. Nance said: "It was a known fact by that time that Studebaker was not competitive in its costs and we faced the problem of becoming competitive because we were already in a tough buyers' market. Studebaker has been getting a premium for Studebaker cars, but that premium in price, after the return of the buyers' market, had stood in the way of sufficient sales to keep our people steadily employed and our dealers healthy in business."

Mr. Nance said that, historically, the so-called independents had gotten about 10 to 14 per cent of the automotive market. Studebaker, he said, enjoyed about 4 per cent of that market in the past, but, when hit by the buyers' market, Studebaker's share slipped to 1.5 per cent of the total sales.

He explained that the aim now is to recapture the 4 per cent, and that this must be done by re-establishing Studebaker as a strong volume competitior in the low-price field.

As part of the effort, Mr. Nance explained, the production costs must be made competitive. He urged his employes to get their output in line with that of workers in other auto plants.

New work standards. The company began to establish work standards for each job in the plant, something that had not been done before. Union time-study experts co-operated in the project.

Recently, however, it was reported, the company abandoned this method of fixing the standards one job at a time, on the ground that it was too slow. The

. . . Can "smaller" firm win a bigger share of sales?

company announced that the layoffs decided upon would be on the basis of seniority. The theory was that production standards then would be set automatically, that the fewer employes would get out the same production as before.

The union charged that the company was violating agreements, and accused the company of a speed-up. The company said that it was impossible to follow exactly the procedure set up in the agreement for posting of time-study figures for each individual worker, as the union demanded.

Union members recently voted to authorize a strike at Studebaker, but union leaders did not order the walkout. They started negotiations with management in an effort to soften the layoff blow. While these negotiations dragged on, unauthorized strikes broke out almost daily in the plant, until Studebaker broke off negotiations. The company stated that it would not confer until the union stopped the wildcat strikes. Union officials urged the workers not to continue the strikes.

The union position, as outlined by its statements, is that the company should give the union a chance to talk over the production changes before they are put into effect. The company is accused of "using law-of-the-jungle techniques" in the laying off of 1,700 workers. It also is charged that the seniority system is being ignored, that some workers hired in 1948 are still on the job while others hired in 1946 are laid off.

Test with union. Auto-industry sources point out that, when Mr. Nance became president of Packard in 1952, he modernized that plant, introduced a new team of executives and tightened up on the work standards in the shop. Packard since then has regained some of the "luxury" market it lost in earlier years, and reportedly has been making a profit recently.

Now, Mr. Nance is trying to produce profits at Studebaker. New officials are on the job. New machinery is being installed. But Mr. Nance is faced with resistance to his cost-cutting methods from a local union that has obtained many concessions from Studebaker over the years. The test now under way will determine whether the new teams and new equipment at Studebaker can keep labor costs low enough to win a larger share of the low-priced car field.

It is at this stage in the rebuilding operation that Studebaker is about to begin negotiations for a new wage contract, faced with demands from the union for the 20-cent package granted by Ford and General Motors.

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Senator Eastland Asks:

WILL RUSSIA HONOR ANY NEW AGREEMENTS?

The talk now is of new deals with Communists to bring peace and to rearrange the face of the world.

It is against this background that Senator James O. Eastland (Dem.), of Mississippi, has brought out a report on past deals with Soviet Russia.

Nearly 1,000 treaties and written agreements entered into by the Russians since 1917 were examined by the staff of the Senate Internal Security Subcommittee.

Detailed findings of that staff study, now released, show how Russia violated nearly every agreement. Following is full text of the foreword to this report, written by Senator Eastland as chairman of the Subcommittee.

by Senator James O. Eastland

Chairman, Senate Internal Security Subcommittee

During the chairmanship of my predecessor, Senator William E. Jenner of Indiana, the Subcommittee on Internal Security authorized a staff study of the Soviet treaty record from 1917, when a handful of Bolsheviks seized power over 150,000,000 non-Communists in Russia, to the present, when 800,000,000 people on two continents suffer under Red despotism. The project was part of the Subcommittee's examination of "The Strategy and Tactics of World Communism." It contemplated a scrutiny of treaties and agreements involving peace, accord and fraternity, collaboration, friendship and neutrality, diplomatic recognition, frontier disputes, non-aggression pacts, conferences of conciliation, mutual aid, renunciation of war, and international promises to the peoples of the entire world—such as the Atlantic Charter.

The staff studied nearly a thousand treaties and agreements of the kinds described above, both bilateral and multilateral, which the Soviets have entered into not only with the United States, but with countries all over the world. The staff found that in the 38 short years since the Soviet Union came into existence, its Government had broken its word to virtually every country to which it ever gave a signed promise. It signed treaties of non-aggression with neighboring states and then absorbed those states. It signed promises to refrain from revolutionary activity inside the countries with which it sought "friendship," and then cynically broke those promises. It was violating the first agreement it ever signed with the United States at the very moment the Soviet envoy, Litvinov, was putting his signature to that agreement, and it is still violating the same agreement in 1955. It broke the promises it made to the Western nations during previous meetings "at the summit" in Teheran and Yalta. It broke lend-lease agreements offered to it by the United States in order to keep Stalin from surrendering to the Nazis. It violated the Charter of the United Nations. It keeps no international promises at all unless doing so is clearly advantageous to the Soviet Union.

I seriously doubt that if during the whole history of civilization any great nation has ever made as perfidious a record as this in so short a time.

On the basis of the record, this question inevitably arises: Is the Soviet record merely a series of individual and unrelated misdeeds, or has treaty breaking been an instrument of national policy since the U.S.S.R. itself came into existence? In our second report on "The Activities of United States Citizens Employed by the United Nations," the Subcommittee showed that this had been answered as long ago as 1920 by Bainbridge Colby, who was Woodrow Wilson's Secretary of State.

"The existing regime in Russia is based upon the negation of every principle of honor and good faith," said Mr. Colby. "The responsible leaders of the regime have frequently and openly boasted that they are willing to sign agreements and undertakings with foreign powers while not having the slightest intention of observing such undertaking or carrying out such agreements."

At the time he uttered these historic words, Secretary of State Colby had available to him many examples of how Communist leaders "frequently and openly boasted" that their pledged word was worthless. Let me call attention to just one of those examples, given by Zinoviev, Lenin's lieutenant, as long ago as 1919.

"We are willing to sign an unfavorable peace," Zinoviev said. "It would only mean we should put no trust whatever in the piece of paper we should sign. We should use the breathing space so obtained in order to gather our strength so that *the mere continued existence of our Government would keep up the world-wide propaganda which Soviet Russia has been carrying on for more than a year.*" [*Congressional Record*, p. 7049, Vol. 74]

On another occasion, Joseph Stalin expressed the Communist diplomatic philosophy even more bluntly:

"Words must have no relations to actions—otherwise what kind of diplomacy is it? Words are one thing, actions another.

. . . Stalin: "Good words are for concealment of bad deeds"

Good words are a mask for concealment of bad deeds. Sincere diplomacy is no more possible than dry water or wooden iron." [*The Real Soviet Russia*, Yale University Press, p. 71.]

But these words and others like them are out of the past. Is it not possible that things are different now? Is it not possible that the Communists have learned their lesson and are finally ready to observe the common decencies of international conduct?

Red "Robbery" in Austria

Mr. Paul W. Ward, of the Baltimore *Sun*, commented on these matters as recently as July 7, 1955. On that day, Mr. Ward reported to the *Sun* regarding Soviet activity under the brand-new Austrian treaty. It is pertinent to consider some of the points which Mr. Ward raised in his dispatch. Here is part of what he wrote:

> Austria is discovering several flies in the ointment of good will which the Soviet Government prescribed for it three months ago in a move that Kremlin propagandists ever since have been citing as proof of that Government's benign intentions toward the free world.
>
> It was learned today as there became available here a compendium of data on how the Soviet authorities have gone about fulfilling the peace bargain offered Austria at Moscow April 15 and signed into a treaty at Vienna May 15.
>
> The collection of official and semi-official data indicated that the Austrian authorities are finding the Russians much less accommodating in deed than they were in promise.
>
> It further indicated that—taking advantage of the Austrian authorities' failure to get every detail specified before they signed the peace treaty—the Soviet authorities are now:
>
> **1.** Trying to exact a far higher ransom for the approximately 300 Austrian factories and other properties they hold than the treaty seemed to set.
>
> **2.** Stripping some of those factories of at least part of their equipment plus their stocks of raw materials, semi-finished and finished goods before turning them over to an Austrian government that had expected to receive them intact.
>
> **3.** Putting on a last-minute rush of what the Austrian press calls "systematic robbery" in the forests of East Austria and are surpassing in the process anything the Nazis had done while in occupation of Austria during World War II.

The collection, which gave a Jekyll and Hyde character to those recent Soviet moves in Austria that Vyacheslav M. Molotov, Soviet Foreign Minister, cited to the United Nations meeting at San Francisco as good news for the imminent Big Four "summit" meeting, also included items to the effect that:

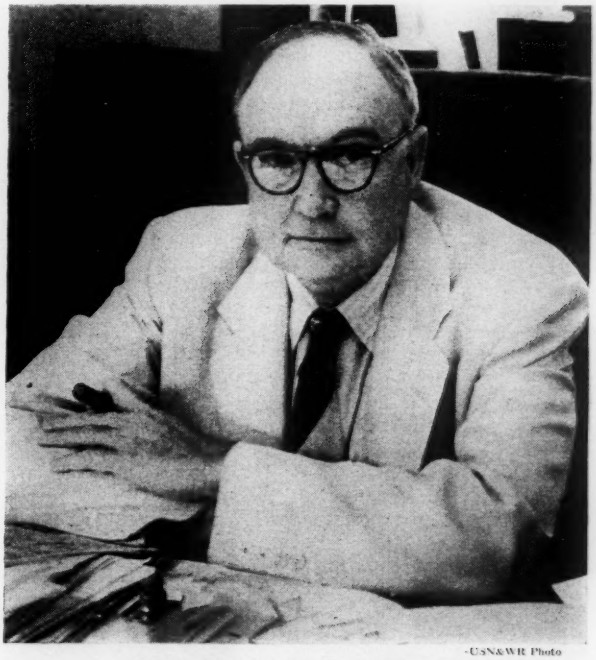
1. The Soviet authorities in Austria are burning the records which Chancellor Julius Raab had said the Austrian Government will need if it is to keep the redeemed mills and factories running without interruption.

2. Those same authorities are denying to Austrian Government experts the inspection rights they need in order to calculate what capital outlays will be necessary to keep the ransomed enterprises running and maintain in the oil fields now held by the Russians the production rates required to pay part of the ransom.

3. The native Communists in Austria, meanwhile, are trying to keep Austria from establishing the "armed" neutrality prescribed for her by Moscow and concurrently are boasting that "regular supplies to the NATO forces in Central Europe will be made exceedingly more difficult" when, as a result of Austria's neutralization, Western Big Three forces have to withdraw from the country.

Four days after Mr. Ward's dispatch, the Department of Defense released the verbatim text of a statement made by Major General Harlan C. Parks, U.S.A.F., Senior member of the United Nations Command, at the 60th meeting of the Korean Military Armistice Commission. In that statement, General Parks presented what he described as "monumental evidence" of the "complete insincerity, dishonesty, and utter lack of integrity" of the Chinese and Korean Communists who had signed the Korean armistice.

"We have listened since last summer to the soothing music of your peaceful propaganda and your expressions for a free and independent united Korea," said General Parks, "while at the same time contending with your continued willful and flagrant violations of the armistice agreement, your hostile and aggressive actions, and your murderous and inhumane atrocities. The time has come to demand that the powers who are directing your iniquitous activities start trying to reconcile your Dr. Jekyll with your Mr. Hyde."



USN&WR Photo

SENATOR JAMES O. EASTLAND

General Parks presented an irrefutable bill of particulars to support his charges. He pointed out that at the time the Korean Armistice was signed in July of 1953, the Chinese and North Korean Communists "had no air force and not one usable airfield." He cited the evidence of radar observation as well as testimony volunteered by defecting North Korean aviators, to show that Chinese and North Korean Communists began immediately to rebuild their air force in direct violation of the Armistice agreement.

Under the terms of the Armistice, as General Parks showed, the Chinese and North Korean Communists were bound to

—Sovfoto

THE KREMLIN: "Is the signature of any Communist Government . . . worth the paper it is written on?"

report all arrivals of new aircraft in their territory. No arrivals were reported. But the ultimate proof of violation occurred on February 5 and May 10, 1955 when the "illegally introduced aircraft" made unprovoked attacks against United Nations aircraft on routine training missions over international waters.

General Parks made detailed charges as to the methods by which the Chinese and North Korean Communists had evaded inspection by the Neutral Nations Commission. He said:

A. Your side flew many combat aircraft away from the inspected airfields.

B. Your side hid combat aircraft in ravines in the hills in the vicinity of the airfields and camouflaged them.

C. Your side dismantled some of the aircraft and concealed them.

D. Your side stationed heavy guards about the hiding places and prevented inspection of these areas by the mobile inspection teams.

E. Your side arbitrarily reduced the boundaries of the airfields, thereby restricting the scope of the mobile inspection team inspection.

F. Your side prepared false testimony by long, detailed coaching of probable witnesses and by substituting politically indoctrinated higher ranking officers for lower ranking officers by switching insignias.

G. Your side delayed the assembly of newly arrived combat aircraft at Taechon by leaving them in their crates until the mobile inspection team investigations were completed. Senior Lieutenant Lee (a North Korean defector) who reads Russian, noticed the wording, "Kiev Aircraft Factory" on tags attached to one of his unit's combat aircraft. This aircraft's log book showed that the plane left the Russian factory in March 1955.

Red "Collusion" in Korea

The most important charge of all in terms of long-range significance, however, was the accusation General Parks made against the Czechoslovakian and Polish Communists who were members of the so-called Neutral Nations Commission. General Parks flatly stated that the Czechs and Poles vetoed inspection trips to North Korea when they were able to do so, "stalled" the inspections they could not prevent, and practiced outright "collusion" with their Chinese and North Korean comrades to conceal evidence of treaty violations.

This brings me to the fundamental issues that face the peoples of the world in connection with any effort to arrive at a workable agreement with Communism.

Is the signature of any Communist Government on any document worth the paper it is written on?

When a Communist Government does sign an agreement, what can non-Communist nations do to see that the agreement is kept?

Until we can find satisfactory answers to these questions, it is futile to direct our efforts toward adding to the accumulation of documents which have already been signed and violated by the U.S.S.R. and other Communist countries.

The signatories of the Atlantic Charter promised that:

First, their countries seek no aggrandizement, territorial or other;

Second, they desire to see no territorial changes that do not accord with the freely expressed wishes of the peoples concerned;

Third, they respect the right of all peoples to choose the form of government under which they will live; and they wish to see sovereign rights and self-government restored to those who have been forcibly deprived of them.

If the U.S.S.R. would just live up to that pact, the greatest obstacles to world peace would disappear.

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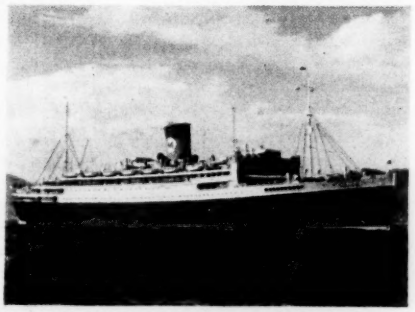

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Auto dealers are not too happy about their own business outlook.

Booming production at auto factories gives them a mild case of jitters. They are wondering how they are going to sell this output at a profit.

Competition for sales of new and used cars has been fierce all year.

Profit margins are reported to have been trimmed drastically to attract customers. Some dealers say that margins have never been so low.

Big volume has saved dealers so far. It has been exceptionally large.

Now, however, dealers wonder whether volume can be held up. August is usually a poor month for sales. Yet, producers obviously expect large sales.

Here's the auto situation in brief, as dealers view it:

Production continued at a near-record rate through July.

Inventories of new cars are probably above 800,000.

New models are expected to be introduced early this year.

Cleanup task, the job of selling existing models before new models come into showrooms, is expected to be a really tough one this year.

A good many dealers fear that cleaning up may well involve losses.

Dealers' problems are being complicated further by tightening of credit terms on car sales. Not only are they entering the tag end of the selling season with large inventories, but they find that they can't offer as easy terms.

Very few other people, however, see any clouds in the economic skies.

Steel industry expects 1956 to be better than 1955. That's the report from "Iron Age," magazine for the industry, after a survey of steel users.

Building, already in a boom, is expected to push higher next year.

Auto output is expected by some steel sources to go still higher in 1956.

Gains also are seen in appliances, freight-car construction, oil-well drilling, farm equipment and electrical equipment. That's a broad front.

Bankers, the country over, count on good times until year end. Here's a look at the business forecasts of bankers, by Federal Reserve districts:

Boston. Outlook good for shoes, paper, rubber, plastics, machinery, machine tools, some electrical products. Mixed for textiles.

New York. Generally good. Best prospects in machinery, metal fabricating.

Philadelphia. Generally good. No significant signs of weakness.

Cleveland. Business to be as good in second half as in first half.

Richmond. Considerable optimism, but weakness in textiles, leather tanning.

Atlanta. Outlook generally favorable for business.

Chicago. High activity in steel, most other industries, with some slack expected to develop for automobiles in months immediately ahead.

St. Louis. Textile business good here. Other industries doing well.

(over)

Minneapolis. Good factory volume. Farmers should do as well as in 1954.
Kansas City. Good crop prospects. Poor for cattle feeders, lamb feeders.
Dallas. General advance expected from current high levels.
San Francisco. Most basic industries operating at record levels.

Bankers expect their own business to be good, too, with demand for credit strong, interest rates up a bit. These findings come from a midyear survey by the Credit Policy Commission, American Bankers Association.

You can see rather easily why optimism is so widespread.

Individual spending is strong and due to rise as wage boosts take effect.
Business investment in plant and equipment is in a strongly rising trend.
Inventories are rising to keep pace with the increase in sales.
Foreign trade is expected to be substantially larger this year.
Government spending is leveling off at a fairly high mark.

All segments of total spending--the things that go to make up the gross product--are either stable or rising. And total output is running at a record rate. The forces behind the business boom still are strong.

There also are definite signs that point to general improvement ahead.

New orders placed with factories in June were the largest since January, 1951. Volume of orders is put by Commerce Department at 27.8 billions. That compares with 22 billions a year ago. Figures are seasonally adjusted.

Order trend has been upward all through the year.

Backlog of unfilled orders also is rising. At end of June, manufacturers had 49.3 billion dollars' worth of orders on their books.

The fact that orders are flowing in large volume means continuing high activity for the nation's factories. A rising backlog points to future output.

Factory inventories are rising. At 43.8 billions on June 30, they were 300 millions above the end of May.

Inventory rise, however, appears to be in line with rising shipments. A year ago, inventories stood at 44.2 billions, 400 millions higher than at the end of June. But shipments a year ago were only 23.3 billions, compared wth shipments of 27.1 billions in June of this year.

Inventories, in relation to sales, appear to be quite sound at present.

Construction boom is another sign of strength. It isn't slipping yet.

Contract awards for new building in June were 30 per cent ahead of a year ago. That report comes from F.W. Dodge Corporation, statistician for builders.

Increase in awards for 1955 first half, compared with 1954 first half, also amounts to 30 per cent.

Contracts are let some time before construction begins. So the trend in contract awards assures a high level of building activity for the remainder of the year. Most analysts believe that any slackening in home building this year will be taken up by industrial and commercial building.

Cost of living edged up in June to 114.4 per cent of the 1947-49 base. Rise from May amounted to 0.2 per cent, largest since December.

Seasonal increase in food prices accounted for most of the gain. Living costs have held between 114.2 and 115.2 since November, 1953.

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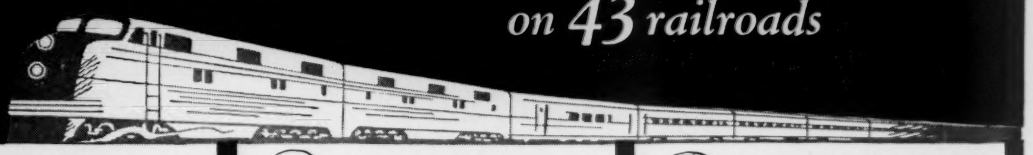

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THE TALBOTT STORY

What the Official Testimony Shows

The case of Air Force Secretary Harold E. Talbott raises once more a question that comes up time and time again:

• How far should a businessman go, when he takes a Government office, in getting rid of private interests?

Secretary Talbott sold large holdings of stocks when he took the Air Force job. But he kept a partnership in one company that dealt with some firms doing defense work. A Senate subcommittee has just completed an investigation to see whether there was any impropriety in Mr. Talbott's connections or activities with that company.

Here, from the official record, is what the investigators found, and what they said about it, together with Mr. Eisenhower's comments.

Following are extracts from the transcript of the hearing of the Senate Permanent Subcommittee on Investigations which began July 21 and ended July 27, 1955:

Secretary Talbott: . . . I would like to go back to the early February or the latter part of January when I was before the Armed Services Committee to be confirmed in the appointment of Secretary of the Air Force. There were certain stocks that I held, Electric Auto-Lite, Chrysler, and a number of stocks which the Committee suggested that I sell because those companies in which I had an interest would be doing business with the Air Force, or with the Defense Department.

Needless to say, this had never been done before, and when this group came down to Washington, when Mr. Wilson [Defense Secretary Charles E. Wilson] was requested to sell his securities, and Mr. Kyes [former Deputy Defense Secretary Roger M. Kyes] and Mr. Stevens [former Army Secretary Robert T. Stevens], I followed their lead, and I was glad to acquiesce in the Committee's desire.

I explained at that time that I was retaining my interest in Mulligan & Company, which is a management engineering company, and which I have had for the last eight years.

* * *

The company has been very successful. For a couple of years it didn't make any money, particularly. When Mulligan came to me, I made an arrangement that he would draw a salary of $25,000 a year, and beyond that the profits of the firm would be split 50-50 with me. During the last four years, the company has had, I should say five years, the company has been successful.

* * *

Now, on January 8, when I had been asked by the President to assume the position, this is in 1953, when I was asked by the President to accept the position as Secretary of the Air Force, I wrote a letter to Mulligan. And I would like to read it to you.

"As you know, I have been designated Secretary of the Air Force in the new Administration, and, if confirmed by the Senate, will be in charge of the procurement of aircraft and other materials, equipment and services for that branch of the Armed Forces of the United States.

"I have resigned all directorships and other positions of responsibility with all corporations with which I have been connected. You and I are general partners in Paul B. Mulligan & Company, which business is in management engineering and could logically acquire clients and receive compensation from business entities doing business with the Department. Because of the possibility of criticism of such business with the Department—because of criticism of such an eventuality and the fact that I would be fully occupied with my new duties, I wish to record now my views on how such accounts should be handled. I do not believe our partnership should be discontinued, but I believe some changes should be made in it by my participation in it."

* * *

The letter continues:

"I suggested during my tenure of office I be considered in the nature of a special or limited partner in the firm of Mulligan & Company with full and complete authority in you alone to continue the business and to make all decisions without consultation or advice from me. Should the firm secure clients whose business in your opinion is predominantly in the area of procurement responsibilities of the Secretary of the Air Force, they shall be handled as a special account and be segregated completely from the other business of the firm. Should you be in doubt with respect to the classification of any account, I authorize you to consult with my attorney, Mr. Murray Smith, who will advise you concerning the same. With respect to such special accounts, I shall receive no income or compensation whatever.

"Will you, please, sign and return the enclosed copy of this letter as evidence of your agreement to the foregoing?

"With best wishes for your continued success,"

That was signed by Mulligan and signed by me. I have one copy and he has one copy.

Senator McClellan [John L. McClellan (Dem.), of Arkansas, chairman of the Subcommittee]: The Committee has photostatic copies of that letter. . .

Secretary Talbott: Right.

Now, we never really put a special partnership into effect because none of the companies that Mulligan did business with during the years of 1953, 1954 and so far in 1955 are primarily defense contractors or defense builders.

. . . Talbott: "I gave up a great deal of income to come here"

* * *

I gave up a great deal of income to come down here. Therefore, I was very anxious to retain my interest in Mulligan on account of the income which I felt I needed. I have never turned in an expense account since I have been in Washington. I have paid for hundreds and hundreds of dollars' worth of entertaining and telephone calls, and expenses of that kind, and I have never turned in one dollar's account.

* * *

When this investigation first came up, I thought it was a routine matter, and I had no idea that—I did not even take it seriously—and I thought or I was sure that everything was clean and that I had never in any way taken advantage of my position, and I was sure that I acted with great propriety.

When Mr. Kennedy [Robert F. Kennedy, chief counsel of the Subcommittee] and his assistant telephoned me that they wanted to come up, the New York office telephoned me and said that Mulligan said that they wanted to come up, and I said, "Give them everything we have, lay it out on the table," and I have done the same thing in every way that I could here.

Now, this is a shocking thing to point a finger of suspicion at a man that does not deserve it. Now, maybe I am wrong, but I do not think I deserve it.

Now I would like to finish and tell you one thing, gentlemen. Yesterday, before this publicity came out . . . I had written out a letter which I am going to read to you, and I want to say to you now, and I am sincere, if in the judgment of this Committee you believe that it is to the advantage of our United States Air Force, of which I am a servant, that I act on the letter which I am going to read to you, I will do so. The letter is as follows:

* * *

"Relative to the matter of my connection with Paul B. Mulligan & Company, management engineers, the Committee has indicated its agreement that I have not violated any statute nor acted in a manner inconsistent with the declaration of intent I made to the Senate at the time of my confirmation. At that time I informed the Senate that I would retain a partnership in Mulligan & Company, but I would not participate in any revenues received from work done by firms significantly involved in defense contracts.

"Nevertheless, in order to obviate any chance of misinterpretation, to preclude any doubt, however mistaken, I now state to the Committee that as of Aug. 1, 1955, I will sever all my connections with Mulligan & Company; thereafter I will take no part, direct or indirect, in the activities of the company. I will receive no financial or other revenue from Mulligan & Company directly or indirectly accrued thereafter. In short, I will terminate my partnership normal and special in Mulligan & Company as of the date specified."

That is, if, in the opinion of this group of gentlemen, I will be helping the Air Force and the Administration and make people sure of my purpose, I will go through with that sort of a situation.

* * *

Senator McClellan: As I recall, in May of 1952, before you became Secretary of Air, your company had a contract with and did do some work for the RCA service company, is that correct?

Secretary Talbott: Yes, sir.

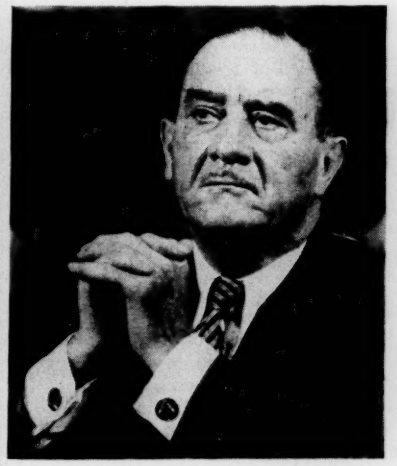
* * *

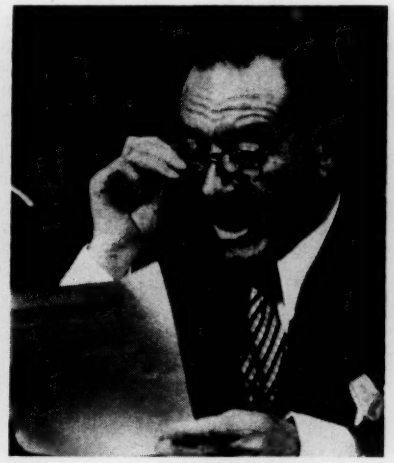
Senator McClellan: Do you know of an effort made by Mr. Mulligan or by you to have that contract renewed or extended beyond the expiration date?

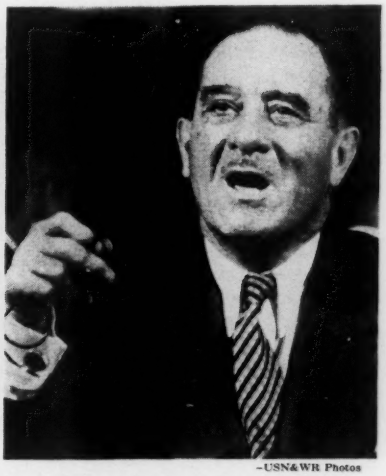
Secretary Talbott: I knew Mulligan had gone down to see them, and he told me that he had and that he had done their service department, and I understood his next work was to be the record division, which didn't in any way conflict with the activities they might have in the defense work.

Then something went wrong, and we did not get the contract, and I said to Mulligan, "What has happened?" And he said, "I think we are getting a run-around." I telephoned Dave Sarnoff, [board chairman of RCA] whom I have known intimately for a long time, and I asked Mr. Sarnoff, or I said, "I would like very much to have you see Paul Mulligan and spend 30 minutes with him, and I would like to have you know the technique and see the results that we have accomplished on the work which we did for you."

I didn't ask him about the new work, as I remember it, and







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SECRETARY TALBOTT: "My greatest concern in the world is the Air Force"

. . . Talbott: "I am too old to go back and start again"

Mulligan, I don't know whether he met him or not, but he met some of the other men.

Senator McClellan: Did any disagreement arise in connection with that attempt at renegotiation of the contract or renewing the contract with respect to the propriety of such a contract?

Secretary Talbott: Yes, it was.

Senator McClellan: In view of your position?

Secretary Talbott: I apparently was out of the country when the thing came up the first time, and my lawyer, Mr. Murray Smith, at New York, was asked his opinion by Mulligan as to what to do. They questioned the propriety of my having an interest in Mulligan & Company, and they took it up with their lawyers at the plant and brought it up to the lawyers in New York, and the lawyers in New York sent it down to the Washington lawyers, as I understand it.

I never saw any or knew any of it during that period, but they asked that I get, or that Mulligan get, a letter from the Attorney General approving them taking a contract with a company in which I had an interest.

When I heard about it, I said, "Of course, don't touch it, let the thing out entirely, unless you want to take it under the special partnership."

He dropped the thing entirely. One of their men came in to see me, and I don't know who he was, and I have forgotten, and I told him at that time that I was disgusted with the situation, that they could have taken the thing up directly with me immediately instead of sending it down to a set of lawyers in Washington to find out about the propriety, because if there was any question in anybody's mind about propriety, I would not consider doing any business.

• • •

Senator McClellan: After that, Mr. Secretary, did you contact anyone with the RCA company and urge them to proceed to make a contract, and solicit them to go ahead without a letter from the Attorney General?

Secretary Talbott: Certainly not.

Senator McClellan: That is positively untrue?

Secretary Talbott: Yes, sir.

• • •

Senator McClellan: Mr. Secretary, just a few more questions

Have you ever at any time since you became Secretary of Air used your position to influence or in an effort to influence any company or any enterprise doing business with the government to make a contract for the services of Mulligan & Company?

Secretary Talbott: Certainly not. It is unthinkable that I should.

• • •

Senator McClellan: I think it has been reported to this Committee—that may not be accurate—that Avco possibly had some 50 per cent of its business now with the Government.

• • •

Now, Mr. Secretary, under the terms of your contract with your partner, as you know about it, would you regard 50 per cent of a company's income of business as being predominantly Government work?

Secretary Talbott: Mr. Chairman, if I thought they had 25 per cent I would not have let them take it.

• • •

Senator McClellan: What the chair is interested in, and I want to be fair to you, you obviously revealed to the Armed Services Committee that the mere fact that a company was doing some business with the Government would not preclude your company from taking a contract with them.

Secretary Talbott: That is correct. I would like to say this, Mr. Chairman: I don't believe you can name a company of any size in the United States that makes anything that we don't buy. We buy shoe laces and bobby pins, and airplanes and tanks, clothes, glasses, anything that you want, because they come to our PX's and our commissaries. There is nothing that is not sold to the armed forces.

Senator McClellan: Was there ever or has there been at any time since you became Secretary of Air a special account set up by the Mulligan firm in which you did not participate?

Secretary Talbott: No, sir.

Senator McClellan: There have been none?

Secretary Talbott: No, sir.

If I look back over this list the only company I would have questioned had I known everything I know today would have been Avco.

Senator McClellan: If you had known all you know today, the question you would have insisted would be that that be placed in a separate account?

Secretary Talbott: That is the only one that I think is questionable.

• • •

Senator Mundt [Karl E. Mundt (Rep.), of South Dakota]: You mentioned an offer to the Committee to give up your interest in Mulligan. I want to think about that a while. I don't know whether that is important or not in the present status of thinking. But it would occur to me, if you do that, you are sort of penalizing yourself about $50,000 a year on the average for the purpose of serving the Air Corps.

I believe, as I recall your testimony in the Armed Forces Committee, you not only sold your stocks, and so forth, which I think was quite appropriate, which did not necessarily mean you were going to lose any money because of the behavior of the stock market since, but I wonder if you gave up also some salaries or fees or business connections at the time you left private life to enter the public service?

Secretary Talbott: I did, substantial fees and substantial salary.

• • •

Now, I come down here over a period of years, and I break all ties with the past. I am too old to go back and start again. I don't know what is fair. I don't know what is proper. I don't know what penalty men should take to take these jobs on. I mean financial penalties. It is a great honor and privilege to operate as Secretary of the Air Force. I love the Air Force and love its operation. I love the feeling that I can be of use.

But these are pretty stiff penalties to require. I don't mind myself taking these penalties. But I will tell you gentlemen it is a serious matter what you are doing to the Defense Department in getting high-class men to come down here. I don't know of a man who is able to take any of these important jobs who has not been successful. If he is successful he owns something. He has made progress. To give that up and to be said you can't have that, sell it, is a pretty tough job. It has blocked us in nine out of ten efforts to get top men.

Senator Mundt: You put your finger on a problem that has disturbed me a long time also, Mr. Talbott. I confess I have no approach to the proper answer. But I do know as we all do that the Government has gotten to be pretty big business and there are certain jobs to do in Government which business people will have to do, who have business experience, business know-how or business capacity.

I would hate to see anything develop in this country which would mean that we could never get any businessmen to do the businessman's job in Government. . .

• • •

The President: "I Will Decide"

Following in full text is President Eisenhower's comment at his press conference July 27 on Air Force Secretary Harold E. Talbott, with direct quotation authorized by the White House:

Robert E. Clark, *International News Service:* Mr. President, can you tell us if you see anything improper in Secretary Talbott's business activities and how you feel about his remaining on as Secretary of the Air Force?

The President: This was a question about Secretary Talbott and the investigation under which—that he is undergoing before the committee of Congress. I have no objection to answering this at this moment as far as I am able. But I do warn you that it will take me a little bit of time.

Now, first, I do not believe that any man can hold, properly hold, public office merely because he is not guilty of any illegal act, and, of course, in this case there is no charge of any illegal act.

But, I believe it was in or somewhere about the end of October, early November, of 1952, I tried to explain my conception of what a public servant owed to the Government, to the people, that his actions had to be impeccable, both from the standpoint of law, but from the standpoint of ethics.

So what is now involved is, Was a proper standard of ethics violated?

This comes, I assume, to this particular point: Was an office used improperly or was a man in an office merely trying to use his own personal influence completely divorced from his office, and I assume that is the issue that the committee of Congress is now looking into.

Now, I should like to make one thing clear: Those parts of Secretary Talbott's official duties with which I have come in contact have been almost brilliantly performed. He has done, by and large, and so far as I know of these activities, exactly what I believe a Secretary of one of the armed services should do.

I suppose the world knows that for some years he has been a personal friend.

Nevertheless, my feeling at this moment in a way is of a bit of suspended animation. I am going to read the complete record of everything that I can find on this myself, and I will have to make final decision on the basis of the ethics involved.

Now, I would not take any action while this investigation is going on because, first of all, the investigation should be conducted while he is a public servant, and he has a perfect right to be heard in every bit of defense he can bring forward.

As far as I am concerned then, the matter is temporarily in abeyance, but it is going to be handled by myself personally.

I do want to make clear again that when I came back and heard about this, no one has intimated any suggestion of fraud or of wrongdoing in the sense of law. That is clearly out of the question.

Edward Milne, *Providence Journal-Bulletin:* Mr. President, as a matter of principle, and not specifically in Mr. Talbott's case, because we don't yet have all the facts, how do you distinguish the office from the man in the office? What is that fine line? How do you distinguish?

The President: As a matter of fact, I really am not prepared to talk about that in any length. It is a difficult one. And, for myself, I think the only way for a public servant is to avoid any indiscretion that even leans in that way or even gives the appearance that an office might be used. But I do want in this case to be completely just and see the whole record.

Senator Bender [George H. Bender (Rep.), of Ohio]: Mr. Chairman, I would just like to make an observation here. Mr. Talbott comes from Ohio, and we are very proud of him as an Ohio citizen. I happen to know him in a very limited way. I never knew Mr. Talbott very well before he came here, and I have known him only in a casual way here. I know he is a man of integrity. He has an excellent reputation in Ohio for honest business practices. He is known as the most cussingest man in Ohio; but aside from that I do not know of any other impropriety.

Certainly as far as this relationship with this company is concerned, there is no evidence here of any impropriety. . . .

. . . I think it is most magnanimous of you to indicate that you want to divest yourself of these interests at great sacrifice to you.

I think the Committee would feel that, under the circumstances, it would be a desirable thing if you did; not because of any impropriety that has been indicated.

° ° °

Mr. Kennedy: Mr. Secretary, on the RCA contract, could you develop that again. The old contract went out in 1954, did it?

Secretary Talbott: I don't know when it went out.

° ° °

Mr. Kennedy: Then did Mr. Mulligan have some conversations with them about renewing the contract or going into some other division?

Secretary Talbott: So I understand.

Mr. Kennedy: During these conversations did you come into the picture or what happened?

Secretary Talbott: No, sir. I never had any contact with the RCA matter. I never talked to Mr. Sarnoff or anything during that period. The contract had run out and I knew he wanted to get some additional work. There was a gap in there. All I knew is that I said, "What is the work you are going to do?" He said, "We are going to do their record division where they made their graphonics." He came to me later and said, "We are stymied on this." This is all I can remember.

I said I think maybe there is some trouble in there. There is a man who I never have seen, named Mr. Odorizzi, who has come a long way and is one of their vice presidents. Mulligan had worked for Odorizzi when Mulligan was chief industrial engineer for Montgomery Ward. Odorizzi was one of Avery's vice presidents at Montgomery. Odorizzi fired Mulligan. I thought perhaps there was some feeling down there between Mulligan and Odorizzi for Odorizzi didn't want to give Mulligan the work.

I was at my New York office and Mulligan told me this. I telephoned to David Sarnoff and told Dave Sarnoff that I would like him to see Mulligan, that we had done some work for him.

I had seen the results of what I thought we had accomplished there, the charts and so forth of how many extra men and how much savings we had made them. I said to Dave Sarnoff, I would like to have you see Mulligan yourself and have a talk with him because I think this technique is

. . . Talbott: "I said, 'If there's suspicion we won't do it'"

good and can be useful. I didn't know whether Mulligan saw Dave Sarnoff or not. I am vague now whether he saw him. If he saw him he was turned over to some other men. I never then heard any more about it until I came back from a European trip.

* * *

Mr. Kennedy: You came back from Europe and then what occurred?

Secretary Talbott: The next thing I heard through the attorney and through Mulligan—through Murray Smith, my attorney—that RCA had questioned the propriety of having another contract with Mulligan with me as a partner. As I understood it originated at their plant level with their lawyer there. They had referred to the lawyers in New York. The lawyers down here had referred it and I was told that they had requested of Mulligan or our attorney, I don't know which, that a letter be procured from the Attorney General. I said, "My goodness, if there is any such suspicion forget it. We won't do the contract or have anything to do with it."

Mr. Kennedy: That was the finish of it?

Secretary Talbott: That was the finish as far as I knew.

* * *

Mr. Kennedy: Did you ever have any conversations with anybody at RCA other than with this gentleman whose name you don't remember and General Sarnoff?

Secretary Talbott: No, sir.

* * *

Mr. Kennedy: Did anyone from the Department of Air Force have any conversations with anybody at RCA regarding that contract that you know of?

Secretary Talbott: Not that I know of, and I am pretty sure they didn't because I don't believe anybody in that echelon of the Air Force even knows of my interest in the Mulligan company.

Mr. Kennedy: You never told anybody in the Air Force you were dissatisfied with RCA for not entering into this contract?

Secretary Talbott: No.

Mr. Kennedy: Do you know an attorney at Camden, N. J., who works for RCA whose name is Mr. Ewing?

Secretary Talbott: No.

Mr. Kennedy: Did you tell Mr. Ewing on the phone about this matter?

Secretary Talbott: I don't think so.

Mr. Kennedy: Do you have a general counsel named Mr. Johnson?

Secretary Talbott: Yes, sir.

Mr. Kennedy: Did you ask Mr. Johnson—

Secretary Talbott: I told Johnson about this but I didn't tell him to do anything, I don't think.

Mr. Kennedy: Did you tell Johnson to call Mr. Ewing at the Camden office of RCA?

Secretary Talbott: I may have.

Mr. Kennedy: Did you?

Secretary Talbott: I don't know. I really don't know.

Mr. Kennedy: When he was talking to him were you listening in on the other phone?

Secretary Talbott: No, sir.

Mr. Kennedy: Did you get on the phone and talk to Mr. Ewing?

Secretary Talbott: I don't know. If I did any such thing as that it skipped my mind because it was so unimportant.

Mr. Kennedy: Does what I am telling you now refresh your recollection?

Secretary Talbott: I remember talking to Johnson about it.

Mr. Kennedy: What did you say to Johnson?

Secretary Talbott: I told Johnson that I was terribly disturbed about this thing that anybody would question about our doing business and would come about it the way they had through the lawyers and ask for this letter from the Attorney General.

* * *

Mr. Kennedy: Do you remember that you talked to Mr. Ewing on the phone?

Secretary Talbott: No, sir.

Mr. Kennedy: And you said you thought the position taken by RCA was foolish and wrong?

Secretary Talbott: I would just as soon have talked to him. I don't know that I did.

Mr. Kennedy: Did you?

Secretary Talbott: I don't know.

Mr. Kennedy: You don't remember that?

Secretary Talbott: No, sir.

Mr. Kennedy: Did you list the names of the companies that had made contracts with Mulligan & Company including defense contractors and say to Mr. Ewing that RCA should come down off their high horse?

Secretary Talbott: No, sir.

Mr. Kennedy: And stop acting so high and mighty?

Secretary Talbott: I did not.

Mr. Kennedy: Did he then say to you that he had talked to your lawyer, Mr. Murray Smith, and Mr. Smith seemed to be handling the matter and you told him you had taken it out of the hands of Mr. Smith and turned it over to Mr. Johnson?

Secretary Talbott: No, sir.

Mr. Kennedy: All those are incorrect?

Secretary Talbott: My memory is that I never made any such statements.

* * *

Senator McCarthy [Joseph R. McCarthy (Rep.), of Wisconsin]: Mr. Chairman, I would merely like to make one comment. In connection with Mr. Talbott breaking up this partnership, I don't know how much this would concern Mr. Talbott personally, but as the chair knows there is a great deal of difficulty in getting competent men to take important Government positions. I do think the Committee should be very reluctant to commit itself to the effect that Mr. Talbott should break up his business relationship in view of the fact that as of this moment there appears to be nothing improper in that business relationship. If we make every man who comes into Government divest himself of every business relationship it will mean that sooner or later we can get no one in Government except those who are here for the small salary that they get and it will cut down the type of people that we can get in the Government.

* * *

At the hearing on July 25 the first witness was Paul B. Mulligan. From the transcript:

Senator McClellan: What is the nature of the business in which your firm engages, Mr. Mulligan?

Mr. Mulligan: We work in the establishment of production standards for office operations throughout industry. The method of operation involves instructing employes of client companies in the techniques that we have developed for that purpose.

* * *

Mr. Mulligan testified that Mr. Talbott's share of the firm's profits amounted to $42,163 for the year ending Jan. 31, 1953, $65,379 for the year ending Jan. 31, 1954, and $66,653 for the year ending Jan. 31, 1955. The transcript continues:

Mr. Kennedy: Do you have the list of the companies, Mr.

. . . Mulligan: "Talbott name not used to solicit business"

Mulligan, of Paul B. Mulligan & Company, that you did business with in 1953 and 1954?

Mr. Mulligan: I do.

* * *

Senator McClellan: Mr. Mulligan, without referring to all of these, some of them may be referred to in interrogating you, but will you state the number on that list that have been secured since January of 1953.

Mr. Mulligan: There are 18.

Mr. Kennedy: Mr. Mulligan, can you tell us out of that 18 which ones do business with the Defense Department or with the Air Force? Give the Defense Department first.

Mr. Mulligan: Do now, or did when we got the contract?

Mr. Kennedy: Did when you got the contract.

And then we will go back and say the ones that do business with the Defense Department now.

Mr. Mulligan: To the best of my knowledge, Avco Corporation, Electric Auto-Lite—those are the only ones.

* * *

Mr. Kennedy: Did you make the inquiry of any of these or all of these 18 companies as to whether they did business with the Defense Department?

Mr. Mulligan: At what time are you referring to?

Mr. Kennedy: When you made the contract.

Mr. Mulligan: No, I did not.

* * *

Senator McClellan: Did you inquire afterwards?

Mr. Mulligan: No, sir; I depended on my general knowledge of their operations.

* * *

Senator McClellan: . . . Mr. Mulligan, in the course of your operation of this company, since Secretary Talbott became Secretary for Air, do you consider that you have in any way used his name or position in the solicitation of business for this company?

Mr. Mulligan: It is my opinion, Mr. Chairman, that his name has not been used or his position to solicit business for our company.

Senator McClellan: How can you make that statement in view of the fact that in the letters you prepared to have friends send out, you made mention of the fact that Mr. Talbott was a partner and whom you were sure they knew because of the fact that he was Secretary of Air?

Mr. Mulligan: The purpose was to identify Harold Talbott in those letters.

* * *

The next witness was Samuel E. Ewing. From the transcript:

Senator McClellan: Mr. Ewing, what is your profession?

Mr. Ewing: I am an attorney at law, sir, serving as general attorney for the manufacturing and services divisions of Radio Corporation of America.

* * *

Senator McClellan: In the course of your services to them, as a client did they call on you for an interpretation of a proposed contract with Mulligan & Company, with respect to its legality or the propriety of it from a standpoint of the company entering into such a contract?

Mr. Ewing: Yes, sir, to this extent, that while they did not actually ask me to pass upon the provisions of the contract, the question was discussed with me as to whether it was advisable for RCA to enter into the contract.

* * *

Mr. Kennedy: Did you have four or five telephone conversations with Mr. Mulligan regarding this matter?

Mr. Ewing: Yes, in all, I did. . . .

* * *

Mr. Kennedy: Now, Mr. Ewing, did Mr. Mulligan mention to you in several of these conversations that Mr. Talbott was disturbed or upset over the position taken by RCA?

Mr. Ewing: Yes.

Senator McClellan: State exactly what he said.

Mr. Ewing: To the best of my recollection, he said something to the effect that the Secretary could not understand what the problem was and that he was upset over the situation.

Mr. Kennedy: Was there ever any statement made regarding the future of RCA as far as receiving defense contracts?

Mr. Ewing: No statement of any kind.

* * *

Mr. Kennedy: Now, on January 4 you received a telephone call from Mr. Mulligan?

Mr. Ewing: Yes.

Mr. Kennedy: And what did he say to you at that time?

Mr. Ewing: He asked me how matters stood, and I told him that I was still waiting to hear from Murray Smith. That is all that I recall about that conversation.

Mr. Kennedy: And then what occurred after that?

Mr. Ewing: Well, later in the day, I received a telephone call from Washington from a man who identified himself as the General Counsel of the Air Force, Mr. John A. Johnson.

* * *

He said that he had understood that RCA was troubled about this proposed contract with Mulligan & Company and that he was prepared to write a letter opinion and give it to RCA stating that he saw no legal reason why the contract could not be entered into.

* * *

Mr. Kennedy: What happened then?

Mr. Ewing: A new voice came on the wire, and the individual speaking identified himself as Secretary Talbott. He was talking quite rapidly and, among other things, he told me or listed over the phone the names of a number of other companies that he said were doing work for the Air Force that had contracts with the Mulligan company.

* * *

Mr. Kennedy: Did he say that these companies had contracts with the Air Force or with the Defense Department?

Mr. Ewing: To the best of my recollection, he said the Air Force, but it might have been the Defense Department.

Mr. Kennedy: Now, the conversation went on and what did he say?

Mr. Ewing: Well, when I had the opportunity to say anything, I said that I was very much surprised by this telephone call, that I had reviewed the matter with the attorney I thought was representing him in his Mulligan & Company interest, Mr. Murray Smith, and that I was waiting to hear back from him; and that I had never heard from him.

Mr. Kennedy: What did he say to that?

Mr. Ewing: Well, he said something to this effect: That "Oh, Murray Smith is just a lawyer out in Dayton; he doesn't know what is going on around here, and Mr. Johnson is representing me in this matter."

Senator McClellan: You mean he told you that Mr. Johnson, General Counsel for the Air Force, was representing him in this matter?

Mr. Ewing: Yes, sir.

* * *

Mr. Kennedy: Do you recall some of the words that he used, Mr. Ewing?

Mr. Ewing: I honestly don't.

Mr. Kennedy: Do you remember if I refresh your recollection of our first conversation, you stated that he said

. . . Johnson: RCA wanted "an opinion from the Attorney General"

"Why is RCA acting so high and mighty?" Do you remember him using those words?

Mr. Ewing: You are absolutely correct. He said that "if all of these other companies could take contracts with Mulligan & Company, why was RCA acting so high and mighty?"

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At the hearing on July 26 the first witness was John A. Johnson. From the transcript:

Senator McClellan: What is your present position, Mr. Johnson?

Mr. Johnson: I am the General Counsel of the Department of the Air Force.

• • •

Senator McClellan: Now, the chair has before him a copy of what purports to be a prepared statement which you wish to read. Is that correct, Mr. Johnson? Do you have a prepared statement that you prefer to read, first?

• • •

Mr. Johnson: . . . The first time that Secretary Talbott mentioned Paul B. Mulligan & Company to me was about noontime on Jan. 4, 1955. The Secretary handed me a copy of the testimony which he gave before the Senate Armed Services Committee on Jan. 16, 1953, concerning his retention of a partnership interest in Paul B. Mulligan & Company. He told me that he had just heard from Mr. Mulligan that a contract which Paul B. Mulligan & Company had negotiated with RCA was being held up by RCA because of an objection which had been raised by one of RCA's lawyers. The objection concerned the legality of Secretary Talbott's retention of a partnership interest in Paul B. Mulligan & Company while holding the office of Secretary of the Air Force.

I told Mr. Talbott that his retention of the partnership interest in Paul B. Mulligan & Company which he had described to the Senate Armed Services Committee did not appear to violate any of the so-called "conflict of interest" statutes. Secretary Talbott phoned Mr. Mulligan and was told by him that the RCA lawyer who was handling the problem was Mr. Ewing in the RCA Camden office. A phone call was immediately placed from Mr. Talbott's office to Mr. Ewing. I took the phone as soon as the call was put through. Mr. Ewing and I discussed the legal question involved. I told Mr. Ewing that on the basis of what I knew of the case I was prepared to give Secretary Talbott an opinion to the effect that his retention of a partnership interest in the Paul B. Mulligan company as disclosed to the Senate Armed Services Committee did not violate any statute. Mr. Ewing did not know whether such an opinion would be of interest to RCA. He said he would call me back later in the afternoon.

During the course of my conversation with Mr. Ewing, Secretary Talbott took the phone from me for a few brief remarks to Mr. Ewing in which he indicated that he was very upset by the implication that the legality and propriety of his retention of a partnership interest in Paul B. Mulligan & Company was being questioned. I do not recall the exact words which Secretary Talbott used in his remarks to Mr. Ewing. I was not listening in on this part of the conversation and did not hear Mr. Ewing's remarks to Secretary Talbott. Secretary Talbott did not discuss with me his brief conversation with Mr. Ewing.

Later in the afternoon of Jan. 4, 1955, Mr. Ewing phoned me at my office. Mr. Ewing said that the matter had been referred to RCA's New York office and was out of his hands.

On the morning of Jan. 5, 1955, Mr. Loftus E. Becker, from the Washington office of Cahill, Gordon, Zachry & Reindel, counsel for RCA, called at my office. He indicated that RCA would only be satisfied with an opinion from the Attorney General or an opinion from the General Counsel of the Air Force specifically concurred in by the Attorney General.

I informed Secretary Talbott of Mr. Becker's visit and the position which RCA had taken. The Secretary asked me to discuss the matter with the Attorney General. In preparation for such a discussion, I prepared in draft form a memorandum to Secretary Talbott stating the conclusion that the Secretary's retention of a 50 per cent interest in Paul B. Mulligan & Company and his sharing in the firm's profits during his tenure of office as Secretary of the Air Force violated no provision of law.

I called the Attorney General early on the morning of January 6 and made an appointment for that afternoon to discuss the matter with him. My meeting with the Attorney General was very brief. I showed him my draft memorandum to the Secretary. He expressed no disagreement with the legal conclusion stated in the memorandum. However, the Attorney General said that he would like to take the matter under consideration. The Attorney General said that I could expect to hear from him in a day or two and that in the meantime I should take no further action in the matter. The Attorney General did not get in touch with me, and I have had no further discussion of the matter with him.

[Attorney General Herbert Brownell, Jr., when asked by news reporters on July 26 about this portion of Mr. Johnson's testimony, said:

["I told him I would take the matter under advisement and call. Before I called him back I saw Mr. Talbott and told him that it would be against our policy to give an opinion to an outside private concern like RCA. He advised me I could forget it because it had been decided not to enter into the RCA contract."]

After returning to my office from my conference with the Attorney General, I received a call from Mr. Mulligan in which he asked about the status of the matter. I told him that the Attorney General had the matter under consideration and that I could not predict what action would be taken. I did not hear further from Mr. Mulligan.

Secretary Talbott was out of town on January 6 and 7. On Saturday morning, Jan. 8, 1955, I told the Secretary of my conference with the Attorney General. I believe that the Secretary told me at that time that there would be no contract between Paul B. Mulligan & Company and RCA. My diary contains an entry under date of Jan. 11, 1955, that Secretary Talbott told me to take no further action in the matter.

• • •

According to Mr. Ewing's testimony, as I remember it, he said that Mr. Talbott said that Murray Smith was not to handle this matter any more and that I was representing the Secretary in this matter. . . . I am not able to give testimony contradicting Mr. Ewing on the exact choice of words used by Mr. Talbott, but I do think it is fair to say that nothing in Mr. Talbott's action with me and nothing in my subsequent conduct indicated that either he or I ever understood that I was to supersede a private attorney on behalf of Paul Mulligan & Company. I was not asked to do anything but prepare a memorandum for the Secretary and to consult with the Attorney General, and I took no initiative in getting in touch with anybody outside of the Government.

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At the hearing on July 27 the witness was Secretary Talbott. From the transcript:

Senator McClellan: All right, Mr. Secretary, proceed.

. . . Talbott: "Nothing that could be construed as dishonest"

Secretary Talbott: There have been statements in the press concerning evidence given during the past few days which I think gave a false impression of the facts as I know them to be, and, with your permission, Mr. Chairman, I would like to correct them. I have made this statement concise and short.

When I talked with Mr. Ewing of the RCA, I was under the impression that the proposed business was with the phonograph-record division of RCA. I certainly was angry that the propriety of my position should be questioned, because I believed the business had nothing to do with the defense work in RCA.

As for Mr. John Johnson, he advised me solely as a Secretary of the Air Force. I never dreamed of asking him to advise me as a private individual.

As regards to the percentage of defense work done by my clients of the Mulligan company, Mr. Mulligan has been my partner for eight years. I know him to be an honest and honorable man. He is one of the finest men I know, and nothing I say is to be construed as reflecting in the slightest degree on him or on his loyalty to me as a partner.

However, it is a fact that I have been far too busy at my job to make investigations of his proposed clients. I have had to leave such business matters to him as I specified in my letter of Jan. 8, 1953, before I came to Washington, and which you have in your record. I knew him to be thoroughly aware of my testimony before the Armed Services Committee at the time of my confirmation. If he had sought business, if he has sought business, from firms having defense contracts, I am sure that he did it in the belief that such business was not a predominant part of their sales.

If he had had any such idea, I am sure he would have put it into the special account for himself alone, and that was provided in our partnership agreement.

Now, I have a general statement to make which is not in the nature of evidence. When I came down here, I divested myself of securities which have since appreciated at about three quarters of a million dollars. These divestments meant giving up an income of $100,000 a year. I was glad to do this, glad to do it. Other men in Government have made heavy sacrifices to serve the country. I mention it only as a fact in passing.

The only active business interest that I retained was my partnership in the Mulligan company. It was a well-established and respected company long before I became Secretary. I disclosed this interest fully to the Senate and they approved the retention.

However, earlier this year, at the time of the RCA matter, I asked the General Counsel of the Air Force, as you know, to consider disposition afresh and to advise me. He told me that my position was proper and legal. I have done nothing that could be construed as dishonest or violating any statute, or the ground rules laid down by the Senate Armed Services Committee.

I have had a long career in industry. I believe that almost without exception the men I have spoken to about Mulligan were personal friends whom I have known intimately for many years. I have never used my position as Secretary to pressure a living soul to give the Mulligan company any business.

In retrospect, however, I now see that I was mistaken in permitting myself to make phone calls or write letters about the Mulligan company. The few minutes I have given to the Mulligan company since I took office have been a trivial part of my time. I really doubt that I have given Mulligan company, and my other private affairs, two and a half days out of the two and a half years that I have been in Washington. My interest in the company has never influenced me in the slightest degree in the execution of my duties as Secretary of the Air Force, and I hope and believe that that is the opinion of you all.

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Now there is a final statement to make now that the committee has completed its hearings. I have not been asked to divest myself of my partnership in Mulligan & Company. In fact, it has been suggested that I do not do so. Nevertheless, my greatest concern in the world is the Air Force. I have lived it, I have worked it, until it almost has become a part of my body. Rather than injure the Air Force, I would divest myself of my partnership 10 times over. With this thought in mind, I did take legal action to divest myself of that interest some days ago. I did not inform you of this before, because I might have been thought to be seeking to cut the hearings short, or affect the hearings.

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Senator McClellan: Mr. Secretary, the chair wishes to make this statement to you at this time. I wish to make it for public information as well. . . . I want to say to you at this time that I have never experienced in my years in Congress an instance in which a public official was under inquiry by an investigating committee that it has received more generous co-operation and courtesies from that individual than this Committee, the chairman and the Committee, have received from you. For that, the chair wishes to sincerely thank you.

Do any other members of the committee wish to ask any questions or make any comment?

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Senator Bender: . . . I have not found anything in this record to indicate Mr. Talbott was guilty of any indiscretion. He is an honest man. He is an excellent public official. I am sure that everyone will agree that he has done a tremendous job for the Government in his job as Air Force Secretary.

° ° °

Senator Mundt: . . . I would like to associate myself with the remarks of the chairman concerning the forthrightness of the witness and his co-operation with the committee. . . .

This is an unusual investigation, although it is an important one. It is unusual, it seems to me, in the nature of the fact that there are no charges of corruption, so far as the Senator from South Dakota realizes or understands the situation, either implied or direct. We are discussing here implications of propriety, and there have been difficult questions to consider, because of the nebulous nature of such a situation.

I would like to point out that, as I see it as the hearings conclude, we have two general over-all questions involving propriety to resolve, one dealing with this RCA incident or episode, and whether or not it was an act of impropriety for the Secretary even to consider the contract to the point of asking Mr. Johnson whether or not he felt such a contract would be legal and proper and in keeping with his testimony. In all events, no contract was made. It was terminated, at the instigation of the Secretary, prior to the time that the Attorney General advised the Secretary he did not feel it was part of the policy function of the Attorney General to pass on matters of that kind.

The other is letters written on Air Force stationery, in the main to personal friends of his, simply mentioning the name of the Mulligan company.

There are other implications, but I do not have them presently in mind. Those, it seems to me, are the boundaries of the problem confronting the committee at this time.

Senator McClellan: Does any other member of the Committee wish to make any comment? If not, the hearing is adjourned.

PLUS & MINUS
Latest Indicators of Business Activity

Profit reports of leading corporations for the first half of 1955, a period of general prosperity, show some spectacular gains over the first half of 1954, when a business recession was under way.

The largest industrial corporation in U. S.—General Motors Corporation—reported first-half profits, after taxes, that were 55 per cent above a year ago. Assets of General Motors now exceed 6 billion dollars.

More impressive still are profit reports turned in by leading steel manufacturers. Six large producers having combined assets of more than 5 billions had combined profits 77 per cent above a year ago in the first half. U. S. Steel Corporation, third-largest industrial firm with assets of more than 3 billions, reported profits 90 per cent above a year ago.

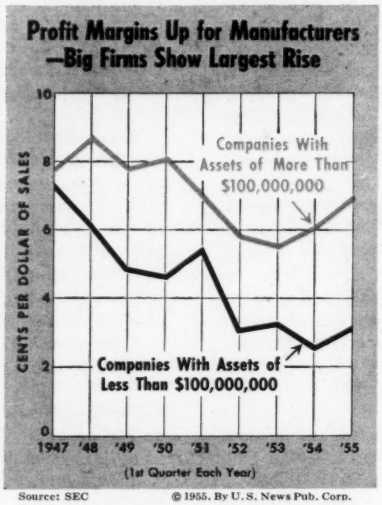
Chemical producers had a big half year. E.I. du Pont de Nemours & Company, tenth-largest industrial corporation, with almost 3 billions of assets, reported profits per share on its common stock 24 per cent above a year ago. Four other chemical companies with combined assets of nearly 3 billions enjoyed profits that averaged 39 per cent above a year ago.

The huge petroleum industry did moderately better than last year. Seven major companies with combined assets of 7.5 billions reported total profits 12 per cent above a year ago.

Electrical-equipment producers did not fare as well. Westinghouse Electric Corporation and General Electric Company, with combined assets of more than 3 billions, had combined profits 6 per cent below a year ago. An increase for General Electric was offset by a drop for Westinghouse.

Tobacco-company profits were up. Three producers with combined assets of about 2 billions reported total profits 16 per cent above last year.

For all corporations, including utilities, railroads, retail and wholesale firms, banks, insurance companies, after-tax profits reached a rate of 20.8 billions per year in the first half, up 26 per cent from a year earlier and the highest since 1950.



The share of national income earned by corporations increased to 8 per cent in the second quarter. That compares with 7 per cent for the year 1954 and is the highest since 1951. Corporations earned 10 per cent of national income in 1929. They earned almost 11 in 1947, 1948 and 1950, when inflation added windfall profits on inventories.

Bigger sales have helped to swell profits. Manufacturers' sales were 10 per cent above a year ago.

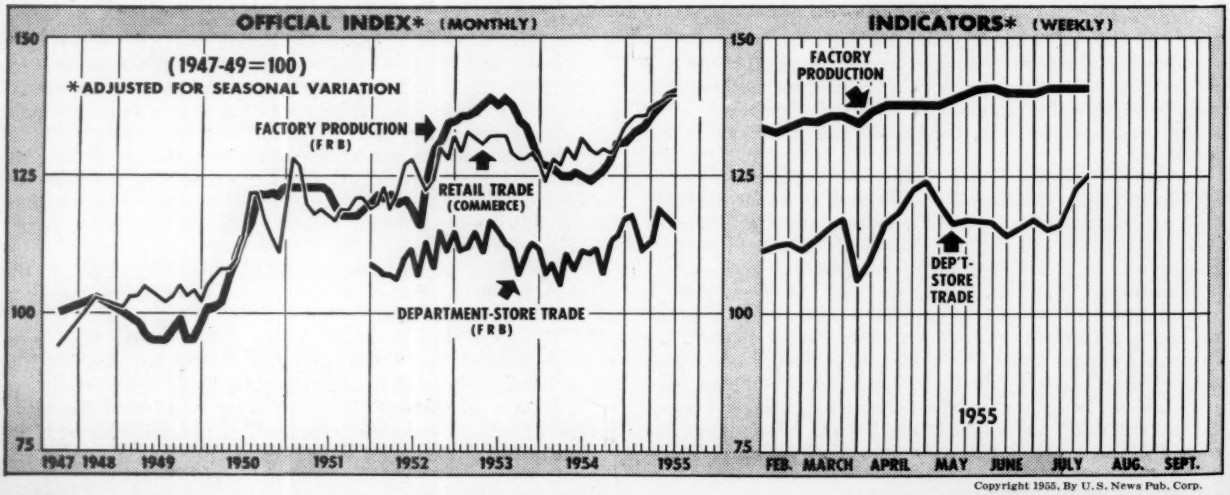
Profit margins of manufacturers have widened, as the top chart shows. Bigger volume of sales permits fixed-overhead costs to be spread over more units of product. Efficient new plant and equipment have brought savings.

Large manufacturers, as the chart shows, earn considerably more on each dollar of sales than do the smaller ones. Financial strength of large companies enables them to spend more on research and development, advertising and distribution, new machines and equipment. As a rule, they can get bank credit or can sell securities at lower cost than small firms.

Included among the companies with assets above 100 millions are huge concerns in oil, chemical, auto and steel industries, in which profits on sales are well above the average. Of the 19 industrial companies with assets of a billion or more each, 10 are in the oil industry and 2 each in auto, chemical and steel industries.

Retail trade, now flourishing, is helping to keep factories busy. Department-store sales in the first three weeks of July averaged 11 per cent above July, 1954, and were the highest since January, 1951.

Larger incomes now earned by individuals and corporations are being spent rather freely. As a result, business activity is holding the sharp gains it has made since last autumn.



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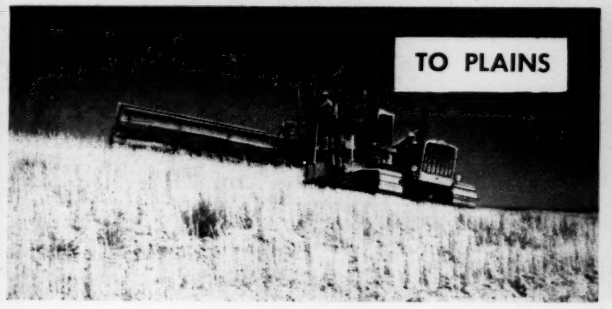

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DO AMERICANS OWE TOO MUCH?

Officials Beginning to Worry About It

Americans are plunging into debt so fast the Government is quite concerned.

Steps are being taken to make it harder for consumers and businessmen to borrow.

The aim is to keep debt from reaching dangerous levels.

People in the United States owe more money than ever before and are going deeper into debt with every passing month.

This trend, borne out by all available reports, gives rise to growing uneasiness in Government. Officials wonder whether consumers and businesses are taking on debt too casually.

The argument over this question finds many bankers and other businessmen pointing to the bright side of the debt picture. Borrowed funds, they note, are making possible the purchase of many houses and autos, the building of industrial plants, railroad improvements.

Those and other business gains are reflected in the 352 billion dollars of private debt shown in the accompanying chart.

This huge debt is resulting, as yet, in few defaults and bankruptcies.

The other side of the picture worries the Government. Consumers and businessmen, at some point, will have to stop adding so rapidly to their debts. When they do, it is feared, trade will be cut. The more sales have been stimulated by easy credit, the greater the letdown will be, officials say.

What Government is doing. For that reason, the Administration now is fostering a tighter money supply, as it did early in 1953, but with this difference: The policy now is being applied more cautiously.

Treasury financing has been worked out to draw some long-term money from insurance companies and other institutions that might instead be using the funds to finance homes and business.

The Federal Reserve System is handling its operations in the money market so as to keep the supply a bit tight in relation to the demand for loans.

As a result, it is becoming a little more expensive to borrow for a house or car, to lay in merchandise, buy stocks or put up a factory. Lenders are growing choosy.

That tendency is to be encouraged.

PRIVATE DEBT: RECORD HIGH and STILL RISING

	End of 1945	End of 1951	Mid-1955
OWED BY CONSUMERS—			
On autos	$0.5 bil.	$6.2 bil.	$12.5 bil.
On other goods	$0.8 bil.	$4.3 bil.	$5.6 bil.
On charge accounts	$1.6 bil.	$3.1 bil.	$3.1 bil.
On other consumer credit	$2.8 bil.	$7.9 bil.	$11.2 bil.
OWED BY HOMEOWNERS— (on mortgages)	$17.6 bil.	$49.3 bil.	$77.2 bil.
OWED BY FARMERS—	$7.3 bil.	$13.6 bil.	$18.4 bil.
OWED BY CORPORATIONS—	$85.3 bil.	$162.5 bil.	$175.7 bil.
OWED BY OTHER BUSINESSES AND LANDLORDS—	$24.0 bil.	$36.1 bil.	$48.6 bil.
TOTAL PRIVATE DEBT	$139.9 BILLION	$283.0 BILLION	$352.3 BILLION

Source: 1945 and 1951, Commerce Dept.; 1955, estimate by Economic Unit, USN&WR

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And more dramatic steps are not ruled out. The Federal Reserve could increase the interest rate on its loans to member banks and increase reserve requirements so member banks would have less to lend.

The idea is that putting a brake on credit now will prevent serious trouble.

Overseas, a similar policy is being applied—notably in Britain, where the Government boosted interest rates in February and has just laid down stiffer rules for installment sales.

What people owe. The chart shows that debt, in all lines, has gone up spectacularly since the end of World War II.

Total private debt today, two and a half times what it was in 1945, has increased every year. The 1954 rise was nearly 14 billions, and the increase in the first half of 1955 was about 10.4 billions, according to estimates of the Economic Unit of *U. S. News & World Report.*

That does not include the federal public debt, which, at 277 billions, is a little less than at the end of 1945, though it has increased about 6 billions in the last year. Nor does it include debts owed by State and local governments, totaling about 35 billions and increasing by 3 to 5 billions a year.

The Government policy aims at stopping the increase in federal debt, but this goal is not yet in sight.

Meanwhile, corporations owe about twice as much as they did at the end of World War II. They reduced their debts slightly last year, and again this year.

There is some fear in Government that business will load up heavily with inventories, if it is too easy to borrow money to pay for goods.

Otherwise, there is not the worry about corporate debt that there is about some other kinds. While the companies' debts have doubled since 1945, so have their sales and profits before taxes.

Farmers' debts are nearly 2.5 times what they were in 1945. The bulk of this increase is in loans for machinery, seed and other supplies. Farm-mortgage debt has increased, too, but less rapidly.

The farm debt today is about 1.6 times the farmers' annual net income; in 1939, the debt was twice annual income.

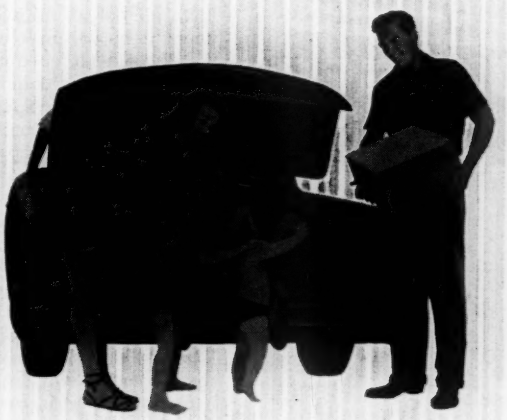
The chief worry. Main concern of officials is the rapid rise in consumers' debts, including mortgages. They have more than quadrupled since 1945.

As the chart shows, the public today owes about 32.4 billions for such things as cars, appliances, personal loans, medical care and other services. In addition, the home-owning group owes 77.2 billions on mortgages. Thus, the total debt of consumers is 109.6 billions.

Is that too much? A good many bankers, normally cautious folk, say, "No." Defaults are small. This seems to show

(Continued on page 108)

"The ice cream's in this corrugated box!"



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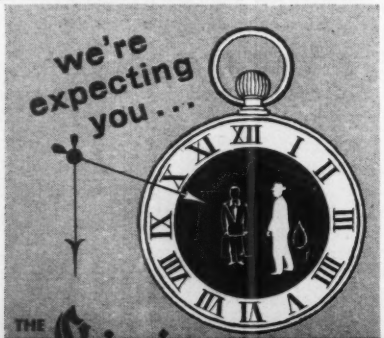

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. . . Half of families have no installment debts

that the great majority are taking on only as much debt as they can carry.

Even during the 1953-54 downturn, the consumers' record remained good.

That is one reason why banks and other businesses are encouraging people to use credit to buy cars, trailers, boats, to take vacation trips, for almost any conceivable purpose.

Terms are easy and have been getting easier, until recently.

The bright side. Despite inducements, surveys indicate the consumer is not overloaded.

A Federal Reserve study shows more than half of all families have no installment debt on autos or other purchases. Of those who have this type of debt, two thirds have committed less than 20 per cent of their spendable income for payments. More than half could clear up installment debt within a year.

Another report, from the Veterans' Administration, shows the average veteran who bought a house in 1954 pays about one fifth of his income, before taxes, for housing. This includes payments on his mortgage and other expenses. In many cases, he would pay even more to rent a comparable dwelling.

These facts make authorities feel that consumers' debts are not dangerous at present. Worry is based on other factors.

What would happen if . . . Despite the record of the recent recessions, many economists fear what might happen if business and incomes were reduced.

This simple example illustrates their concern: A man has an income, after taxes, of $400 a month and needs $100 of this to keep up payments on his debts, leaving $300 for spending. If his income drops to $300, he has to cut his purchases to $200, or by one third. The man, if free of debt, would need to reduce his spending from $400 to $300, only one fourth.

Thus, heavy debts can aggravate a business recession.

Furthermore, economists say, people will have to stop adding to debt at some time, even if not faced with a cut in income. Then, purchases on borrowed money will be reduced.

Sales of autos and houses would be seriously affected by such a development. Just this year, the amount owed on auto loans has increased 2.1 billions; mortgage debt has risen 5.4 billions. Those increases represent many sales.

More federal moves. Special steps are tightening up auto and housing credit.

Banks under federal supervision are being asked for special reports on auto

(Continued on page 109)

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. . . A size-up on credit: not too bad now, but—

loans. The Veterans' Administration is requiring the home buyer to pay, in cash, at least the settlement costs; in practice, lenders also are asking for some cash toward the purchase price, too.

Builders in some areas find it harder to get federal backing.

Thus Government is taking the position that there is cause to worry about the rapid increase in debt. The situation may not be too bad now, but officials don't want extra-easy credit to become the mainstay of the boom.

Tax Deadlines Ahead

AUGUST 10

- ***Employers*** who deposited income and Social Security withholding taxes on time during the second quarter file second-quarter return, form 941.
- ***Manufacturers, retailers,*** others who deposited excise taxes on time during the second quarter file second-quarter return, form 720.

AUGUST 15

- ***Employers*** deposit income and Social Security taxes withheld in July if more than $100.

AUGUST 31

- ***Manufacturers, retailers,*** others deposit excise taxes for July if more than $100.
- ***Gamblers, bookmakers*** pay taxes on wagers accepted in July, form 730.

SEPTEMBER 15

- ***Individuals*** pay third installment of estimated 1955 income tax. Amended tax declaration may be filed.
- ***Corporations*** file declaration of estimated 1955 income tax and pay first installment, 5 per cent. This applies to corporations that expect their tax to be more than $100,000.
- ***Farmer co-operatives*** file income tax return for calendar year 1954, form 990-C.
- ***Employers*** deposit income and Social Security taxes withheld in August if more than $100.

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

July 26, 1955

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Common Stock

Par Value $5 per Share

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Subscription Price $50 per share

Copies of the prospectus may be obtained from such of the undersigned (who are among the underwriters named in the prospectus) as may legally offer these securities under applicable securities laws.

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Consecutive Dividend

A regular quarterly dividend of seventy-five cents (75¢) per share on the Capital Stock of the Company has been declared this day, payable on September 10, 1955, to stockholders of record at the close of business on August 5, 1955.

The stock transfer books will remain open.

S. T. CROSSLAND
Vice President & Treasurer

July 22, 1955

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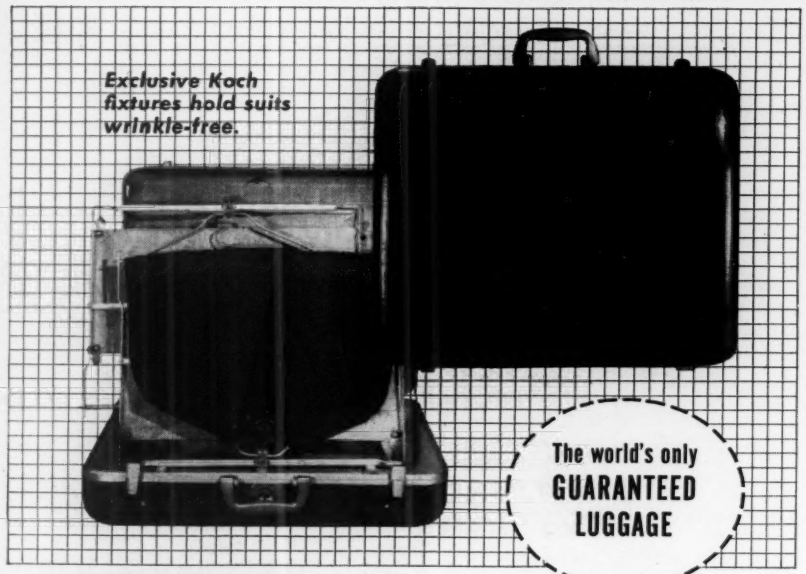

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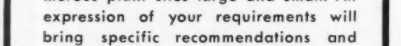

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NEWS-LINES

WHAT YOU AS A BUSINESSMAN ☑ CAN and ☒ CANNOT DO

as a result of recent court and administrative decisions

☑ **YOU CAN** perhaps get a court to stop a union from ***picketing*** your plant in a dispute where the union's charge of unfair labor practices has been rejected by the National Labor Relations Board. A State court grants a permanent injunction in such a case.

* * *

☑ **YOU CAN** probably count on being favored over foreign competitors in selling ***military equipment*** to the Air Force unless the foreign firms have the advantage in certain respects. The Air Force releases new tests to be applied in deciding whether equipment will be purchased overseas or from U. S. suppliers. Procurement must be made in the U. S. if, among other things, foreign purchases would cost more or would result in delays.

* * *

☑ **YOU CAN** take an added income tax deduction, above the 10 per cent of income allowed for ***charitable contributions,*** for your donations to federal or local government for government-operated schools or hospitals. The Internal Revenue Service rules that these donations qualify for the extra 10 per cent charitable deduction authorized for gifts to churches, hospitals and schools.

* * *

☑ **YOU CAN** use a new form in filing your ***gift-tax return*** for 1955 and later years. The Internal Revenue Service issues revised form 709 for persons reporting gifts.

* * *

☑ **YOU CAN** buy ***rice*** for sale abroad from the Government's surplus supplies. Rice bought by the Commodity Credit Corporation under the 1953 and 1954 price-support programs is being made available for export and also for domestic use in some cases. Inquiries about this grain should be sent to Commodity Stabilization Service, 3306 Main Street, Dallas 26, Tex.

* * *

☑ **YOU CAN,** during an election campaign in your plant, tell your employes that their benefits may be reduced if a challenging union takes over ***collective bargaining*** for them. The Labor

Board finds that such a hint by an employer did not constitute a threat of reprisal to his employes.

* * *

☑ **YOU CAN** sometimes use a less expensive method in packing goods and equipment that you sell to the armed forces. The Department of Defense revises its standards for preservation, packaging and packing of all ***military-supply items.***

* * *

☒ **YOU CANNOT,** as a ***corporation director,*** safely take for yourself a business opportunity that might be valuable to your company. A State court holds that a director who bought aviation patents while his corporation was actively seeking investments was then liable to the company for any profits realized.

* * *

☒ **YOU CANNOT,** in handling the tax affairs of a deceased person, avoid paying an income tax on damages collected in a ***patent-infringement suit*** filed before his death. The Internal Revenue Service rules that such damages are taxable to the estate as income.

* * *

☒ **YOU CANNOT,** as a consulting engineer, always count on exemption from the ***Wage-Hour law*** for your employes working on construction projects. A federal court of appeals finds that the law applies to employes of a firm engaged in preparing plans and inspecting service on construction projects including the paving of streets carrying interstate traffic.

* * *

☒ **YOU CANNOT,** as a manufacturer of civilian products, be sure of getting as much ***nickel and aluminum*** in the fourth quarter of 1955 as in the present quarter. Fourth-quarter set-asides of the two metals called for by the Business and Defense Services Administration for military purposes indicate that the present tight supplies will become even tighter.

* * *

☒ **YOU CANNOT** count on exporting as much **copper scrap** in the present quarter as expected. The Bureau of Foreign Commerce announces a 45 per cent cut in third-quarter export quotas compared with the second quarter.

Conclusions expressed in these paragraphs are based upon decisions and rulings of courts and Government bureaus. In making their decisions, courts and bureaus consider many facts which, for reasons of space, cannot be set forth in detail. U. S. NEWS & WORLD REPORT, *on written request, will refer interested readers to sources of this basic material.*

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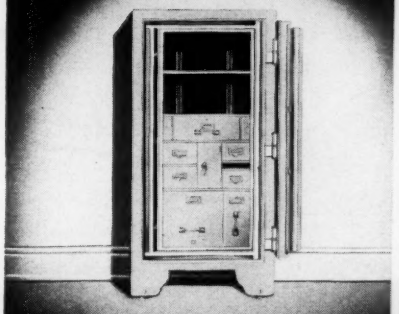

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By a Subscriber

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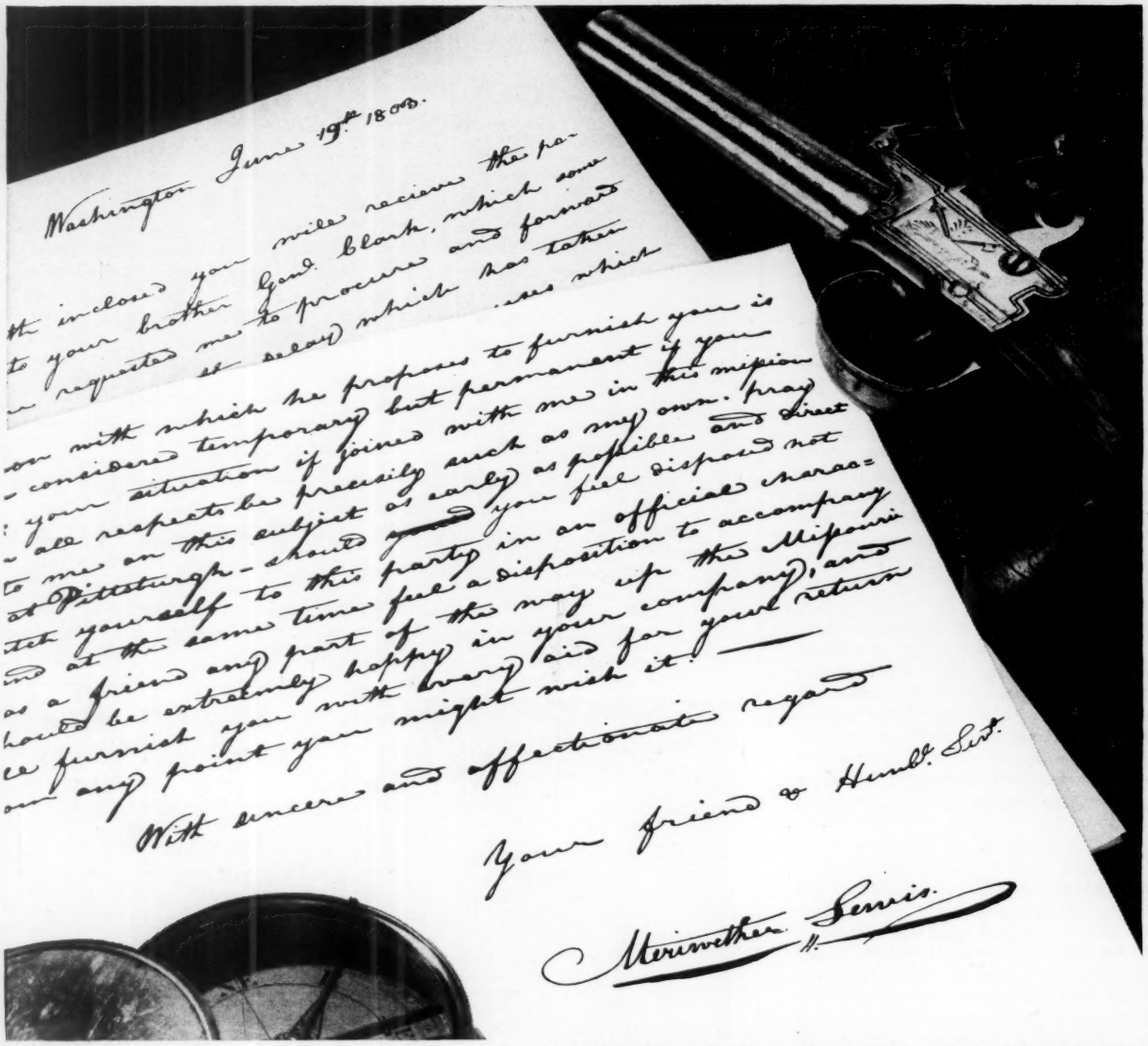
Washington June 19th 1803.
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your situation if joined with me in this mission
all respects be precisely such as my own. I pray
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at Pittsburgh - should you feel disposed not
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nd at the same time feel a disposition to accompany
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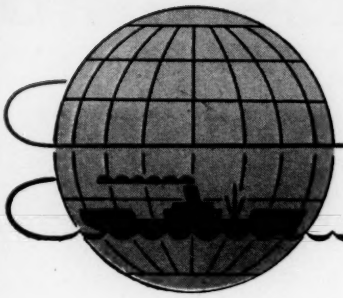

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LONDON • SINGAPORE • OTTAWA

›› A new Battle of Britain is under way. This time it's a battle against inflation. But inflation aims just as directly at Britain's jugular vein as the Luftwaffe ever did. Booms and bombs are both dangerous.

The enemy in Britain is actually too much prosperity. There are more jobs than people. Wages are moving up. But prices of everyday things are beginning to rise even faster. Also, in recent weeks, there have been large increases in coal and steel prices and in freight rates. Effects will spread.

Basic price trend obviously is upward. People are buying heavily.....not especially to beat price rises but just because they have money and there are plenty of things to buy. They don't think about the consequences.

But the Chancellor of the Exchequer, R.A. Butler, does. It's clear to him that too much of British output is being bought at home, too little is being exported. It's only through exports that Britain earns her keep. Imports, buoyed by internal prosperity, are outstripping exports by a tidy margin.

›› Mr. Butler has been on the firing line of the Battle of Britain all year.

In January, he increased the Bank rate--basic rediscount rate for British banks. In February, he boosted the Bank rate much more drastically and squeezed down on installment buying. He also decided to support the sagging pound in an extensive manner.

A strategic retreat in the Butler campaign came in April. Income tax rates were cut just before the election. An obvious political maneuver, this leaves more spending power in the hands of the people.

In recent weeks, it's become apparent that installment buying and borrowing at the banks has continued at a heavy pace. So, last week, Mr. Butler stiffened terms for time buying, bluntly told the banks to cut down on their loans.

Investment projects, planned by both private and nationalized industries and by Government entities, are to be slowed down or postponed unless they are vital to the nation. Basic expansion plans of the coal industry, the railroads and the electric-power authority will be pushed ahead, however.

The pound has been weak in recent weeks, despite official support. Combating speculative rumors about the pound, Mr. Butler last week stated that his Government will maintain the pound at its $2.80 parity with the dollar.

›› The British Chancellor has lowered the boom on inflation. Will his actions this time be any more effective than earlier this year?

Most powerful weapon is the coming cutback in bank loans. Private bankers have been reluctant to turn away borrowers. Now they will have little choice. The Bank of England obviously is going to give them very little slack.

(over)

Required down payments on time buying are boosted from 15 to 33 1/3 per cent of the price tags on automobiles, TV sets, refrigerators, etc. Many cars have been sold on a one-third-down basis anyway in Britain. But, on other products, the new rates will hurt.....as they would in the U.S.

>> Basic questions are raised by the Chancellor's actions.....

Are monetary and credit restraints enough in a situation such as prevails in Britain? The Eden Government doesn't want to go back to direct controls through rationing, import quotas and the like. All the Scandinavian countries are using variations of the British methods to combat the same kind of inflation. In the U.S., the Federal Reserve and the Treasury are watching some of the same inflationary symptoms carefully.

Another question raised about the British action: How wise is it to clamp down on capital investment? Big problem in Britain is improving productivity and getting costs down so that British exports are competitive.

Most serious question is this: Aren't symptoms rather than causes being treated by Mr. Butler's actions? British analysts point out that retail prices in Britain are up 35 per cent since 1949, as against a 10 per cent rise in both the U.S. and Western Germany, for instance. British prices continue to climb, while American and German prices have been very stable for four years.

This means internal purchasing power of the British pound is declining. It also implies that the pound is getting more and more out of line with the dollar and the Deutschemark, as far as intrinsic value goes.

Weakness in the pound may, therefore, be a symptom of a fundamental reassessment of a British system plagued by rising wages, prices and import needs.

>> Singapore is heading for real economic trouble, the way things are going.

Several large foreign firms, including American companies, are thinking of pulling up stakes. Others are abandoning expansion plans.

Why? Communist-inspired strikes have been shutting down foreign firms for weeks. The pro-Peiping Chinese are gaining political strength steadily.

Singapore used to depend largely on middleman traffic, transit trade with other countries. But, with the growth of other centers, local trade and manufacture are becoming more and more important to Singapore's livelihood.

Unemployment is increasing. To give you an idea of conditions: The naval dockyards recently advertised for 70 apprentices; 3,000 applicants showed up.

The Labor Front Government of Singapore now is getting worried about economic trends. Even Singapore Chinese are loath to risk money on local enterprises unless they are guaranteed a quick payoff and a high interest rate. These Chinese capitalists see storms ahead on the local barometer.

>> Speculators in Canadian uranium stocks, as well as uranium miners, are taking to heart a recent statement by the Canadian Minister of Defense Production, C.D. Howe.....The Canadian Government agency that up till now has been buying all uranium ore produced in Canada is apparently going to take it easy on new buying contracts.....Mr. Howe emphasized that Canada does not guarantee to buy all new uranium produced, especially if it is offered at premium prices.....Of course, all buying contracts already signed will be honored through March 31, 1962.....The Howe statement is significant.....The Atomic Energy Commission in Washington, buying Canadian uranium, must be pretty well supplied.

GOING PLACES *in the roaring jets with Cities Service...*

The gargantuan, ever-growing thirst of the military jet planes was slaked last year by 124,000,000 gallons of Cities Service jet fuels. Cities Service refineries are geared to provide increasing quantities of vital defense matériel.

CITIES SERVICE

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1955 Number 13 of a series

After Geneva—

"BIG FOUR" LEADERS TALK ABOUT THEIR PEACE PLANS

You get here the final record of the Big Four Conference at Geneva—

• U. S.: In a radio-TV report to the nation and a final speech at Geneva, Mr. Eisenhower tells of agreement to promote freer exchange of people, ideas and trade. Mr. Dulles also gives his views on improved chances for peace.

• Britain: Prime Minister Eden, in his concluding speech, reports agreement that now "makes it possible to come to grips with the twin problems of the unity of Germany and the security of Europe."

• Russia: Premier Bulganin tells, in his final Conference speech, of basic agreement on disarmament, summarizes a Soviet proposal for an all-Europe security plan to replace NATO.

• France: Premier Faure reports a "common resolve" resulting from the Conference.

Plans for follow-up meetings are given, too, in a final "directive for Foreign Ministers."

EISENHOWER: NO SECRET AGREEMENTS AT GENEVA

Following is full text of President Eisenhower's radio-TV report to the nation on the Geneva Conference, delivered July 25, 1955, as released by the White House:

Good evening, friends.

Secretary Dulles and I, with our associates, went to the Big Four Conference at Geneva resolved to represent as accurately as we could the aspirations of the American people for peace and the principles upon which this country believes that peace should be based.

In this task we had the bipartisan—indeed, almost the unanimous—support of the Congress. This fact greatly strengthened our hand throughout the negotiations. Our grateful thanks go out to all your Senators and your Congressmen in the United States Congress. Aside from this, we had, during the past week, thousands of telegrams of encouragement and support from you as individuals. Along with these came similar telegrams from great organizations, church organizations, business and great labor organizations.

All of these combined served to make us feel that possibly we were faithfully representing the views that you would have us represent. Now peace—the pursuit of peace—involves many perplexing questions. For example:

Justice to all nations, great and small.

Freedom and security for all these nations.

The prosperity of their several economies and a rising standard of living in the world.

Finally, opportunity for all of us to live in peace and in security.

Now, naturally, in the study of such questions as these, we don't proceed recklessly. We must go prudently and cautiously—both in reaching conclusions and in subsequent action. We cannot afford to be negligent or complacent. But we must be hopeful. We must have faith in ourselves and in the justice of our cause. If we don't do this, we will allow our own pessimism and our lack of faith to defeat the noblest purposes that we can pursue.

Now, because of the vital significance of all these subjects, they will be exhaustively surveyed by our Government over a period of many weeks. Tonight the most that I can give to you are a few personal impressions and opinions that may have some interest for you and certainly have some bearing on the outcome and on the progress of those negotiations.

Of course, an interesting subject that could be taken up, had I the time, would be the personalities of the several delegations, the relationship or apparent relationships of one to the other—the principal considerations that seem to motivate them. These would all have a bearing on this problem. But I forgo them and take up instead just two general opinions in which I am sure every American shares:

The first of these, that we must never be deluded into believing that one week of friendly, even fruitful, negotiation can wholly eliminate a problem arising out of the wide gulf that separates, so far, East and West. A gulf as wide and deep as the difference between individual liberty and regimentation, as wide and deep as the gulf that lies between the concept of man made in the image of his God and the concept of man as a mere instrument of the state. Now, if we think of those things we are apt to be possibly discouraged.

But I was also profoundly impressed with the need for all of us to avoid discouragement merely because of our own proposals, our own approaches and our own beliefs are not always immediately accepted by the other side.

On the night I left for Geneva, I appeared before the television to explain to you what we were seeking. I told you that we were going primarily to attempt to change the spirit in which these great negotiations and conferences were held. A transcript was made of that talk, and I should like now to read you one paragraph from it. This is what I said with respect to our purpose:

"We realize that one ingredient that has been missing from all past conferences. This is an honest intent to conciliate, to understand, to be tolerant, to try to see the

. . . Eisenhower: "We will work co-operatively with the Soviets"

other fellow's viewpoint as well as we see our own. I say to you, if we can change the spirit in which these conferences are conducted, we will have taken the greatest step toward peace, toward future prosperity and tranquility that has ever been taken in all the history of mankind."

During last week in formal conferences, and in personal visits, these purposes have been pursued. So now there exists a better understanding, a closer unity among the nations of NATO [North Atlantic Treaty Organization].

There seems to be a growing realization by all that nuclear warfare, pursued to the ultimate, could be practically race suicide.

There is a realization that negotiations can be conducted without propaganda and threats and invective.

Finally, there is a sharp realization by the world that the United States will go to any length consistent with our concepts of decency and justice and right to attain peace. For this purpose, we will work co-operatively with the Soviets and any other people as long as there is sincerity of purpose and a genuine desire to go ahead.

In the course of carrying on these discussions there were a number of specific proposals, some of which were items on the official agenda. That agenda contained German reunification and European security, disarmament and increased contacts of all kinds between the East and the West.

Most of these conference meetings were given wide publicity and even some of the specific suggestions made in those conferences likewise were publicized. In any event, I can assure you of one thing:

There were no secret agreements made, either understood agreements or written ones. Everything is put before you on the record.

Outside of these conference meetings there were numerous unofficial meetings—conversations with important members of the other delegations and, of course, very specifically with the Soviet delegation.

In these conversations a number of subjects were discussed and among them the Secretary of State and I specifically brought up, more than once, American convictions and American beliefs and American concern about such questions as the satellites of Eastern Europe and the activities of international Communism. We made crystal-clear what were American beliefs about such matters as these.

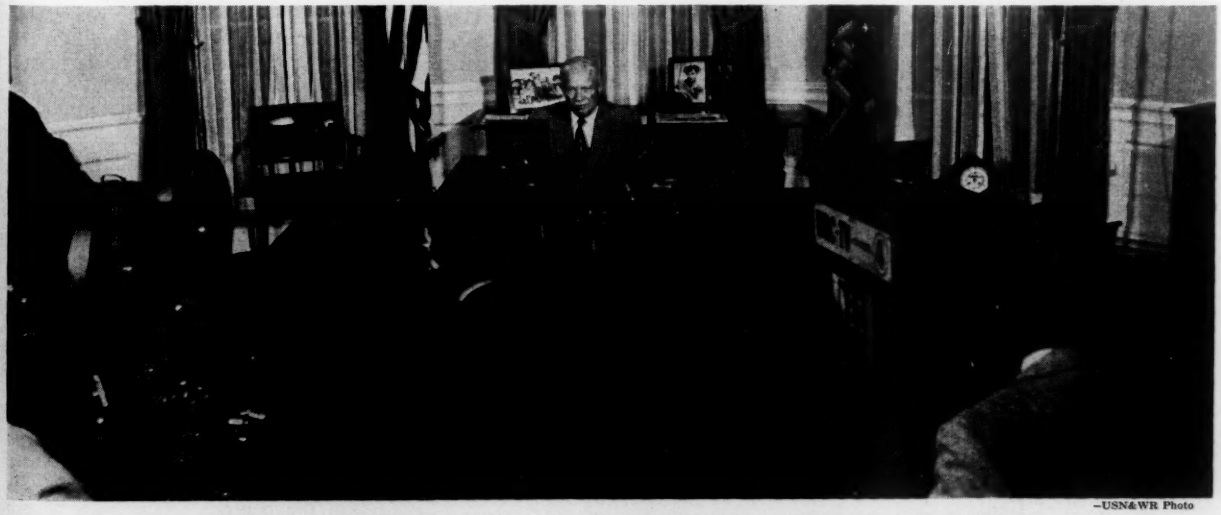
Now to take up for a moment the items on the official agenda.

Probably no question caused us as much trouble as that of German reunification and European security. At first we thought that these could be dealt with separately, but the American delegation concluded that they had to be dealt with as one subject. We held that Germany should be reunited under a government freely chosen by themselves, and under conditions that would provide security both for nations of the East and for nations of the West—in fact, in a framework that provided European security.

In the matter of disarmament, the American government believes that an effective disarmament system can be reached only if at its base there is an effective reciprocal inspection and over-all supervision system, one in which we can have confidence and each side can know that the other side is carrying out his commitments. Now, because of this belief, we joined with the French and the British in making several proposals. Some were global, some were local, some were sort of budgetary in character. But all were in furtherance of this one single objective, that is, to make inspection the basis of disarmament proposals.

One proposal suggested aerial photography, as between the Soviets and ourselves by unarmed peaceful planes, and to make this inspection just as thorough as this kind of reconnaissance can do. The principal purpose, of course, is to convince every one of Western sincerity in seeking peace. But another idea was this: If we could go ahead and establish this kind of an inspection as initiation of an inspection system, we could possibly develop it into a broader one, and eventually build on it an effective and durable disarmament system.

In the matter of increasing contacts, many items were discussed. We talked about a freer flow of news across the curtains of all kinds. We talked about the circulation of books and particularly we talked about peaceful trade. But the



—USN&WR Photo

PRESIDENT EISENHOWER MAKES HIS RADIO-TELEVISION REPORT TO THE NATION

. . . Eisenhower: "Some giving on each side will be necessary"

subject that took most of our attention in this regard was the possibility of increased visits by the citizens of one country into the territory of another, doing this in such a way as to give each the fullest possible opportunity to learn about the people of the other nation. In this particular subject there was the greatest possible degree of agreement. As a matter of fact, it was agreement often repeated and enthusiastically supported by the words of the members of each side.

As a matter of fact, each side assured the other earnestly and often that it intended to pursue a new spirit of conciliation and co-operation in its contacts with the other. Now, of course, we are profoundly hopeful that these assurances will be faithfully carried out.

One evidence as to these assurances will, of course, be available soon in the language and the terminology in which we will find speeches and diplomatic exchanges couched. But the acid test should begin next October, because then the next meeting occurs. It will be a meeting of the Foreign Ministers. Its principal purpose will be to take the conclusions of this Conference as to the subjects to be discussed there and the general proceedings to be observed in translating those generalities that we talked about into actual, specific agreements. Then is when real conciliation and some giving on each side will be definitely necessary.

Now, for myself, I do not belittle the obstacles lying ahead on the road to a secure and just peace. By no means do I underestimate the long and exhausting work that will be necessary before real results are achieved. I do not blink the fact that all of us must continue to sacrifice for what we believe to be best for the safety of ourselves and for the preservation of the things in which we believe.

But I do know that the people of the world want peace. Moreover, every other individual who was at Geneva likewise felt this longing of mankind. So, there is great pressure to advance constructively, not merely to re-enact the dreary performances, the negative performances of the past.

We, all of us, individually and as a people, now have possibly the most difficult assignment of our nation's history. Likewise, we have the most shining opportunity ever possessed by Americans. May these truths inspire, never dismay us.

I believe that only with prayerful patience, intelligence, courage and tolerance, never forgetting vigilance and prudence, can we keep alive the spark ignited at Geneva. But if we are successful in this, then we will make constantly brighter the lamp that will one day guide us to our goal–a just and lasting peace.

Thank you. Good night to each of you.

DULLES: RESULTS OF "BIG FOUR" MEETING WERE "GOOD"

Following is full text of a statement on the Geneva Conference by Secretary of State John Foster Dulles at his news conference, July 26:

The Geneva "Summit" Conference produced good results.

First of all, I would put the fact that the Geneva Conference registered a certain transformation in the relations between the Soviet Union and the Western powers. They became less brittle. That should mean that, for the predictable future, we can subject our differences to the patient processes of diplomacy without fear that war will come out of them.

That, of course, does not mean that early and easy solutions are in sight. It does mean that the war danger has receded.

Another development at the Geneva Conference was the resourcefulness and initiative of the Western powers. That was particularly evidenced by President Eisenhower's dramatic proposal that the United States and the Soviet Union would agree that peaceful planes would fly over each other's territory to take photographs so that each could be sure that the other was not planning a massive surprise attack.

This is the most dramatic, and at the same time most serious and sober, peace proposal that history records. The Soviets made no immediate reply, but that is not surprising, for the proposal is one which no doubt they wish to take time to study. If, however, they have the genuine desire of peace which they indicated at Geneva, then I feel confident that positive results will come from President Eisenhower's proposal.

–USN&WR Photo

SECRETARY DULLES

The Western powers also brought to the fore the problem of German reunification. This now is very much a matter of practical international statesmanship. German reunification is in the air and I am convinced that it will come about, not immediately, but surely.

Of course, we recognized that it could come about more easily within a framework of European security. So the Western powers accepted the Soviet plea for European security and in that connection we put forward a series of practical suggestions which no doubt will be studied at the October Foreign Ministers' conference. These can give the Soviet Union assurance that German reunification, far from endangering the Soviet Union, can take place under conditions which will provide safety to all.

We had occasion to bring home to the Soviet rulers the importance which the United States Government and people attach to the right of the satellite nations to have governments of their own choosing. Also, we made clear our grave objection to the revolutionary and subversive activities of international Communism. We obtained no assurance, but we hope that developments will in fact tend to eliminate these causes of tension.

The Conference in no way weakened the close ties and unity of purpose which exist between the three Western powers which were present at Geneva. On the contrary, their unity emerges

. . . Dulles: "Red Chinese propaganda somewhat subdued"

stronger than ever from this new testing to which it was subjected.

The Conference did not press national viewpoints to a point where there would have been a breakdown, which would have dimmed the hopes of future peace. On the other hand, the Conference avoided the equal danger of creating an illusion that all was now so well that we could safely relax our efforts to build individual and collective self-defense.

President Eisenhower played a great role at this Conference, one of which our nation can always be proud. Also, the people of the United States can themselves take pride in the contribution of each to an unprecedented peacetime demonstration of spiritual unity behind our determination to make peace both just and durable.

In appraising the Geneva Conference and what comes afterwards, we must not forget the sequence of events that brought us where we are today. To be free we must be strong and unified. There are probably long arduous months ahead in which we must expect disappointments as well as cherish hopes of ultimate achievement of a secure peace.

There are certainly opportunities for the free world in the present situation, but there are also possible hazards. The task of statesmanship and diplomacy is to realize to the full the opportunities while avoiding the hazards.

WHAT U. S. NOW WILL DO ABOUT RED CHINA

Following is full text of a statement by Secretary Dulles, answering questions about talks between the U. S. and Red China, made at his news conference on July 26:

Last April at the Bandung Conference, Mr. Chou En-lai [Premier of Red China] suggested that there should be bilateral talks with the United States. He said, "The Chinese people do not want to have war with the United States. We are willing to settle international disputes by peaceful means."

Immediately (on April 23, 1955), the Department of State responded by stating that "the United States always welcomes any efforts, if sincere, to bring peace to the world." Then at my subsequent press conference (April 26, 1955) I referred to Mr. Chou En-lai's statement and said, "Whether that was a sincere proposal remains to be seen. Perhaps the Chinese Communists are merely playing a propaganda game, but we intend to try to find out. In doing so, we shall not of course depart from the path of fidelity and honor to our ally, the Republic of China."

Developments since then indicate the possibility of obtaining beneficial results from a continuance of the talks which have been going on at Geneva for the past year, and their restoration to the original ambassadorial level.

Four out of the 15 United Nations prisoners of war have been released. A few more United States civilians have been released. These results, though meager, are something. Chinese Communist warlike activities, such as had been displayed in relation to Yching [Yikiangshan Island] and Tachen, have not been resumed, and there has been something approximating a *de facto* cease-fire in the Taiwan [Formosa] area. The former belligerent Communist propaganda about Taiwan and against the United States has recently been somewhat subdued.

In addition, various govenments which have diplomatic relations with the People's Republic of China have indicated their own belief in the desire of the Chinese Communists to pursue a peaceful path.

"Enlarged" Talks With China

Under these circumstances, the United States proposed on July 11 to Mr. Chou En-lai that the talks that had been going on at Geneva, recently at the consular level, should be somewhat raised in level and enlarged in scope. This proposal was made through the intermediary of the United Kingdom, which represents the interests of the United States in Communist China. There was prompt acceptance of this proposal and, after the date was agreed to, a mutually agreed communiqué with reference to it was arrived at and simultaneously issued in Peiping and in Washington yesterday morning.

It was made clear that the offer of the United States did not imply any diplomatic recognition whatsoever. It was also made clear that we were not prepared in any way in these talks to make arrangements which would prejudice the rights of our ally, the Republic of China.

The United States will be represented at Geneva on August 1 by our Ambassador to Czechoslovakia, U. Alexis Johnson. It was Ambassador Johnson who represented the United States in the Geneva talks with the Chinese Communists when these talks first began a year ago. Prior to that, as a departmental officer, he devoted himself largely to the Korean armistice negotiations.

The United States is concerned with getting back the American civilians still detained in Communist China. In this connection we are prepared to discuss with the Chinese Communists the status of the few Chinese students in the United States who desire to return to Communist China and who the Chinese Communists claim, without foundation, are prevented.

U. S. Prisoners of War Still Held

We also want to reinforce the efforts of the United Nations to get back the Americans who as members of the United Nations Command in Korea became prisoners of war and are still held by the Chinese Communists.

As to other practical matters which might be considered, the United States would like to be sure of precautions taken against a repetition of such incidents as involved the shooting down of the Cathay airliner with loss of American lives and injury to American civilians.

Of course, the basic thing is that which I pointed out in my press conference of April 26, namely, "whether we must prepare for war in that area or whether there is apt to be a cease-fire in that area."

The United States believes that, whatever may be the differences which now divide countries, these differences should not be settled by recourse to force where this would be apt to provoke international war. The United States has itself consistently acted on that belief. Wherever we give any military assistance, it is under the explicit condition that it will not be used for aggressive purposes.

There is no doubt but what East Germany is part of Germany, but Chancellor Adenauer has given solemn assurance

. . . Directive: "Bring about elimination of barriers"

that he will not use force to unite his country. There is no doubt that North Korea is a part of Korea, but the security treaty which we made with the Republic of Korea makes clear that the United States will not extend its protection other than to areas which we recognize as having been lawfully brought under the jurisdiction of the Republic of Korea, and we do not believe that aggressive force is such a lawful means. There is no doubt but that North Vietnam is part of Vietnam, but we stated in connection with the Indo-China armistice that we were opposed to any renewal of aggression to bring about the unification of Vietnam.

Both the Republic of China and the Chinese People's Republic claim that the area held by the other is part of China. But in connection with the mutual-security treaty which the United States made with the Republic of China, it was agreed that the Republic of China would not use force except as a matter of joint agreement, subject to action of an emergency character which was clearly an exercise of the inherent right of self-defense.

We believe that the principle of nonrecourse to force is valid not merely for the United States and its allies, but that it is valid for all.

We shall hope to find out in the forthcoming talks whether the Chinese Communists accept the concept of a cease-fire in accordance with the United Nations principle of avoiding any use or threat of force which could disturb the peace of nations.

No doubt the Chinese Communists will have matters of their own to bring up. We shall listen to hear what they are and if they directly involve the United States and Communist China, we will be disposed to discuss them with a view to arriving at a peaceful settlement.

As President Eisenhower said last night, "The United States will go to any length consistent with our concept of decency and justice and right to attain peace. For this purpose, we will work co-operatively with the Soviets and any other people as long as there is sincerity of purpose and a genuine desire to go ahead."

That is the principle which will govern the continuation of our talks with the Chinese Communists at Geneva.

AFTER "BIG FOUR" CONFERENCE: THE NEXT STEPS

Following is full text of the directive issued by the Big Four heads of government to their Foreign Ministers at Geneva, July 23:

The heads of government of France, the United Kingdom, the U.S.S.R. and the U. S. A., guided by the desire to contribute to the relaxation of international tension and to the consolidation of confidence between states, instruct their Foreign Ministers to continue the consideration of the following questions with regard to which an exchange of views has taken place at the Geneva Conference, and to propose effective means for their solution, taking account of the close link between the reunification of Germany and the problem of European security and the fact that the successful settlement of each of these problems would serve the interests of consolidating peace:

I
European Security and Germany

For the purpose of establishing European security with due regard to the legitimate interests of all nations and their inherent right to individual and collective self-defense, the Ministers are instructed to consider various proposals to this end, including the following:

A security pact for Europe or for a part of Europe, including provision for the assumption by member nations of an obligation not to resort to force and to deny assistance to an aggressor;

Limitation, control and inspection in regard to armed forces and armaments;

Establishment between East and West of a zone in which the disposition of armed forces will be subject to mutual agreement;

And also to consider other possible proposals pertaining to the solution of this problem.

The heads of government, recognizing their common responsibility for the settlement of the German question and the reunification of Germany, have agreed that the settlement of the German question and the reunification of Germany by means of free elections shall be carried out in conformity with the national interests of the German people and the interests of European security. The Foreign Ministers will make whatever arrangements they may consider desirable for the participation of, or for consultation with, other interested parties.

II
Disarmament

The four heads of government, desirous of removing the threat of war and lessening the burden of armaments,

Convinced of the necessity, for secure peace and for the welfare of mankind, of achieving a system for the control and reduction of all armaments and armed forces under effective safeguards,

Recognizing that achievements in this field would release vast material resources to be devoted to the peaceful economic development of nations, for raising their well-being, as well as for assistance to underdeveloped countries,

Agree:

1. For these purposes to work together to develop an acceptable system for disarmament through the subcommittee of the United Nations Disarmament Commission;

2. To instruct their representatives in the subcommittee in the discharge of their mandate from the United Nations to take account in their work of the views and proposals advanced by the heads of government at this conference:

3. To propose that the next meeting of the subcommittee be held on Aug. 29, 1955, at New York;

4. To instruct the Foreign Ministers to take note of the proceedings in the Disarmament Commission, to take account of the views and proposals advanced by the heads of government at this conference and to consider whether the four Governments can take any further useful initiative in the field of disarmament.

III
Development of Contacts Between East and West

The Foreign Ministers should by means of experts study measures, including those possible in organs and agencies of the United Nations, which could (A) bring about a progressive elimination of barriers which interfere with free

. . . Bulganin: "We got to know each other better"

communications and peaceful trade between peoples and (B) bring about such free contacts and exchanges as are to the mutual advantage of the countries and peoples concerned.

IV

The Foreign Ministers of the four powers will meet at Geneva during October to initiate their consideration of these questions and to determine the organization of their work.

EDEN: There's a "Better Chance" To Solve Differences

Following is full text of British Prime Minister Sir Anthony Eden's final speech to the Geneva Conference on July 23:

We have now concluded the Conference of the heads of governments which has been so much discussed and so earnestly advocated, notably by Sir Winston Churchill more than two years ago. This Conference set itself a limited task. This it has more than accomplished.

Ten years ago the war in Europe was brought to an end. Now at last we have made a start with the work which we might have hoped to begin in 1945. What we have now agreed makes it possible to get to grips with the twin problems of the unity of Germany and the security of Europe.

No one expects that it will be easy to settle every detail of these complicated issues. But there is now a better chance than we have known at any time since the war to get to work on practical proposals to solve the differences which have divided Europe all these years.

At this Conference we did not set out to make a detailed plan in these few days. For all that, it will be found that in our directive to the Foreign Secretaries we have included the essentials of a comprehensive settlement.

The world will have observed the tone and temper in which our work has been conducted. Those of us who have been engaged in the actual negotiations have been aware that a new spirit of conciliation has been present at our meetings.

But in addition to this formal work, we have had many opportunities for personal contacts, which I know we have all found invaluable. I am quite certain that the exchanges which have taken place outside the conference room have given us all a far better understanding of each other's points of view and of the problems each has to face.

If we can continue our work together in the spirit of this meeting, what is hopeful promise today should become solid performance as events unfold.

BULGANIN: "Rights" of Communist China Are "Undisputed"

Following is full text of Soviet Premier Nikolai A. Bulganin's final speech to the Geneva Conference on July 23:

Mr. Chairman:

There is no doubt that the meeting of the heads of government of France, Great Britain, the United States of America and the Soviet Union which took place in Geneva has a positive significance for the relaxation of tensions, in the relations between states, and in the restoration of the necessary confidence between them.

In the first place, this will be aided by the personal contact established in Geneva by the leading personages of the four powers.

We here got to know each other better and exchanged opinions on a number of important international problems.

Despite the fact that our points of view did not coincide on a number of questions, the Conference as a whole proceeded in an atmosphere of sincerity. The participants sincerely worked toward the establishment of mutual understanding.

The Geneva Conference drew the attention of the peoples of the whole world and further strengthened their will toward the relaxation of international tensions, toward the cessation of the "cold war."

We hope that all this will play an even greater role and will facilitate the achievement of the noble aim—that of securing firm and prolonged peace.

The delegation of the Soviet Union came to the Geneva Conference with the good intentions of co-operating in the organization of practical work and toward deciding, first of all, such basic international problems as the organization of collective security in Europe and disarmament.

In the present circumstances these questions have a decisive significance for the cause of consolidating universal peace.

Soviet "Security" Proposal

A most important question of the Geneva Conference was the question of European security.

The Soviet Government considers that the interests of consolidating peace would be served by a system of collective security in Europe based on the participation of all European states and the United States of America.

Our new proposals on this question introduced at the Geneva Conference are based on the consideration that in the present conditions in Europe, where opposing groups of states have been established, it is necessary first of all to place the relations among states which are members of these groups on the path of normal peaceful collaboration and the peaceful settlement of controversial questions among them.

In this first stage, of the creation of the system of all-European security, the Soviet proposals do not envisage the liquidation of the North Atlantic bloc, the Western European Union and the organizations of the Warsaw pact.

With the passage of time, to the second stage, when success is achieved toward the relaxation of tensions in Europe and the establishment of trust among states the aforementioned groups could be liquidated and replaced by a system of collective security in Europe.

Along with this, the Soviet delegation introduced a proposal calling for conclusion of a pact between the states participating in the existing European groups mutually to renounce the use of force and agree on the settlement of disputes by peaceful means, even before the creation of a system of collective security in Europe.

The exchange of opinions on the question of European security has shown that all participants at the Conference displayed a longing for an agreed settlement of such important problems.

We hope that in the course of future consideration of this problem even more significant success will be achieved.

On the question of disarmament, the Soviet Government proposed before the Geneva Conference, on the tenth of May,

. . . Bulganin: "Problems of Asia not given deserved attention"

concrete suggestions on the reduction of armaments, the banning of atomic weapons and the elimination of threats of a new war.

At the Geneva Conference, we proposed a firm agreement on questions on which our positions either fully coincide or are significantly close to each other. This refers in the first place to the establishment of a level of armaments of the states, the outlawing of atomic weapons, and the necessity of directing a system of effective international control. The discussion of the question of disarmament showed that all participants at the Conference were in favor of finding an agreed solution of this important problem which has a decisive significance for the security of the peoples.

It should be noted in this connection that while discussing the question of disarmament, the participants of the Conference made suggestions which will doubtless be considered in the course of future discussions of this problem and will facilitate the achievement of the necessary agreement among us.

—United Press

Soviet Premier Nikolai Bulganin (right) with Foreign Minister V. M. Molotov at Geneva

The Soviet Government declares that in future consideration of the problem of disarmament, it will make all efforts to find a solution of the problem in response to the longing of all peoples.

We had an exchange of opinions on the German question. Varied approaches were suggested in this connection. Delegates of the United States, Great Britain and France, speaking on the reunification of Germany, proceeded from the point that Western Germany should be militarized in accordance with the Paris agreements, and that the unified Germany which is to follow should enter the North Atlantic group and the Western European military alliance.

The Soviet Government, while consistently standing for the national unification of Germany, has called attention even before the ratification of the Paris agreements to the fact that implementation of these agreements would create difficult conditions for negotiation on the German question and would make pointless a discussion on the unification of Germany.

The Soviet Government proceeds from the fact that in the decision on settlement of the German problem we must consider the facts.

The war in Europe ended 10 years ago. During this period two Germanys were established—the German Democratic Republic and the German Federal Republic, each with its own economic and social order.

Moreover, as a result of the Paris agreements, the German Federal Republic entered the path of remilitarization and adhered to the military group of the Western powers.

As regards the German Democratic Republic, in view of the conclusion of the Paris agreements, it decided to participate in the organization of the Warsaw pact.

It is clear that under such circumstances it is not possible to raise the question of the mechanical fusion of the two parts of Germany—German Democratic Republic and German Federal Republic—since this would be an unrealistic posing of the question.

The Soviet Union was and remains an ardent partisan of unification of Germany as a peace-loving and democratic state. We are profoundly convinced that the German problem cannot be discussed without the participation of the representatives of the German Democratic Republic and the German Federal Republic.

"Sole Way" to Unify Germany

In the circumstances which developed in Europe, the sole realistic way of unifying Germany is a joint effort of the four powers and also of the German people toward the elimination of tensions in Europe on the basis of establishing confidence among the states.

This goal would be precisely best served by the creation of a system of collective security in Europe with the participation on an equal basis of both parts of Germany even before its unification.

Since this would lead to the strengthening of peace in Europe and would raise barriers against the rebirth of German militarism, with the passage of time the obstacles which are now in the way of unifying Germany would be eliminated.

On the other hand, for the unification of Germany from the standpoint of its internal conditions, the *rapprochement* between both parts—that is, the German Democratic Republic and the German Federal Republic—would be of great significance.

The Soviet delegation regrets that at our Conference the problems of Asia and the Far East were not given the attention they deserved.

Such questions as the establishment of the legitimate rights of the Chinese People's Republic in the United Nations, regulation of the situation in the Taiwan [Formosa] area on the basis of recognition of the undisputed rights of the Chinese people, the implementation of the Geneva agreements on Indo-China, and other questions, cannot stand postponement.

We shall never escape these problems. They must be solved in the interests of peace and security in Asia and in the Far East and in the interests of international peace.

The Geneva Conference opened the way to further joint examination and decisions of timely international problems.

. . . Eisenhower: "The follow-through will be decisive"

We have also made here an important decision on the necessity of developing contacts between East and West, on the development and consolidation of economic and cultural ties between our states.

Thereby we laid a foundation for the expansion of collaboration between our countries.

The Soviet Government on its part is prepared by all means to facilitate such collaboration.

It supposes that other states which participated in this Conference will also go along this path which is responsive to the interests of the peoples of foreign countries, to the interests of universal peace.

We all recognize the important significance of the decisions made here. They are the beginning of a new stage in the relation between our countries.

They will facilitate the strengthening of confidence between our peoples. These decisions will have a positive significance for other countries also and for the cause of strengthening universal peace.

The most ardent aspiration of all peoples, is the aspiration for peace. The Soviet government will make the necessary efforts so that our decisions directed toward the relaxation of international tension and the consolidation of universal peace may be translated into reality.

This demands the patience and loyal examination of those questions which still remain to be examined and solved.

But if all of us will show the same spirit of collaboration which was shown here, in Geneva, then this will be a true guarantee of the fact that the lofty aim of supporting peace will be achieved and the peoples will be tranquil on the morrow.

EISENHOWER: Prospects for Peace Are "Brighter"

Following is full text of President Eisenhower's final speech to the Geneva Conference on July 23:

Mr. Chairman and gentlemen:

I welcome and warmly reciprocate the spirit of friendliness and good intent that have characterized the content of the two preceding speeches.

But I hope that my silence respecting certain of the statements by the immediately preceding speaker [Premier Bulganin] will not by any means be interpreted as acquiescence on my part. Far from it.

But it has seemed to me that in the closing minutes of this Conference there is no necessity for me to announce to this Conference and to the world the United States' position on the important questions we have discussed.

These I hope and believe have already been made clear. Therefore it does not seem particularly fitting once more to recite them in detail. I shall content myself with some reflections on our work of the past week and an expression of some hopes for the future.

This has been an historic meeting. It has been, on the whole, a good week. But only history will tell the true worth and real values of our session together. The follow-through from this beginning by our respective governments will be decisive in the measure of this Conference.

We have talked over plainly a number of the most difficult and perplexing questions affecting our several peoples and, indeed, the peoples of the entire world.

We did not come here to reach final solutions. We came to see if we might together find the path that would lead to solutions and would brighten the prospects of world peace.

In this final hour of our assembly, it is my judgment that the prospects of a lasting peace with justice, well-being and broader freedom are brighter. The dangers of the overwhelming tragedy of modern war are less.

Task of Foreign Ministers

The work of our Foreign Ministers as they strive to implement our directives will be of great importance, perhaps of even more than what we have done here. Theirs is the task, reflecting the substantive policies of their governments, to reach agreement on courses of action which we here could discuss only in broad terms. I know we all wish them well.

I trust we will all support the necessary adjustments which they may find our governments must make if we are to resolve our differences in these matters.

If our peoples, in the months and years ahead, broaden their knowledge and their understanding of each other, as we, during this week, have broadened our knowledge of each other, further agreement between our governments may be facilitated.

May this occur in a spirit of justice. May it result in improved well-being, greater freedom and less fear or suffering or distress for mankind. May it be marked by more of good will among men. These days will then indeed be ever remembered.

I came to Geneva because I believe mankind longs for freedom from war and rumors of war. I came here because of my lasting faith in the decent instincts and good sense of the people who populate this world of ours. I shall return home with these convictions unshaken, and with the prayer that the hope of mankind will one day be realized.

FAURE: Progress Being Made Despite Obstacles Ahead

Following is full text of French Premier Edgar Faure's final speech to the Geneva Conference on July 23:

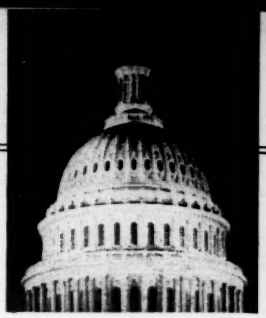
Our meeting is drawing to a close. But for all that, we must not separate. I mean by this that if the four of us are no longer present in one room, we must remain morally united with one and the same will.

I consider that over and above the agreements which we have reached between us on certain subjects, texts and directives, the very fact of our meeting, the spirit which has governed our debates and the mutual understanding which resulted from it, will leave a profound mark on international relations and will have a happy influence on their evolution.

We have shown here a common resolve. It is now our responsibility to find the means. The first step has been taken along this path, but there are still obstacles to overcome. We have not sought to hide them, for it is through truth that all progress is achieved.

If it is true that life today is characterized by tension and force, may this tension and strength be that of understanding and friendship, and no longer of hostility and distrust. To the peoples who look to us, and not only to those for whom we have responsibility, we must be able to propose the progressive substitution of constructive and beneficial tasks of peace for the security measures which are still necessary.

(This page presents the opinion of the Editor. The news pages are written by other staff members independently of these editorial views.)



THEY STOOP TO CONQUER

BY DAVID LAWRENCE

WHATEVER ELSE HAPPENED at the Geneva conference, solemn support was given to the fateful premise that a world war should not be invoked by either the East or the West to attain their respective aims.

War certainly is not necessary for us if we are not going to be attacked. This, we have repeatedly said, is the only reason we would fight.

War certainly is not necessary for the Soviet Union if her rulers can get what they want from the West without dropping a single atomic bomb.

To be realistic, however, we should not forget that we are still engaged in an effort to bring World War II to an end. For, while the Western Allies demobilized their armies and in due time ended their occupation of West Germany, the Soviet armies have never been demobilized. They still occupy not only East Germany but Poland, Czechoslovakia, Rumania, Bulgaria, Hungary, Latvia, Estonia and Lithuania.

When we talk of peace in Europe, we mean finding a way to persuade the Soviets to end World War II and withdraw their armies to Russia, or to let them hold indefinitely what they have seized.

When we talk of peace for Asia, we mean either acquiescing in or overcoming the effects of the military occupation of the Far East by the Communists. Since 1945 they have taken China and moved their forces into North Korea and also into Southeast Asia, where they have gobbled up a large part of the territory of Indo-China. They have, moreover, extended their political leverage to Indonesia, Burma, India and other nations which call themselves neutral but actually do the bidding of Moscow out of sheer terror.

In recent weeks the Kremlin has suddenly changed its propaganda and diplomacy throughout the world—from invective to conciliation, from defiance to meekness, and from open hostility to manifest friendliness. It started by wooing Marshal Tito. It centers now on capturing the mind of President Eisenhower.

The West has been thrilled with all this. Every spokesman has uttered his sense of relief and gratitude over the outbreak of brotherly love at Geneva.

But why? Has a "better climate" for peace really been established just because Moscow ceases to snarl and now cajoles? Has any single objective in Europe or Asia been abandoned by the Soviet Government?

We of the West have had our hopes raised high before. So frightened have the Western governments become over a nuclear war that they now have apparently adopted the attitude that maybe, if the enemy will be merciful, an effort should be made to meet him more than halfway. But we are supposed to give away our honor—the Communists are expected only to give back some of the persons and property which they never were lawfully entitled to retain.

Now our ambassador is about to sit down at Geneva with the ambassador of the unmoral government at Peiping which still refuses to accept the authority of the United Nations in unifying Korea, yet insists upon a seat in the Security Council of the U. N. The Red regime does not even acknowledge that its own troops ever intervened in Korea to repel the forces of the U. N.

There certainly is no harm in talking with the Red Chinese. We talked with them at Panmunjom, too. It's what we say to them that matters. Is it possible that, if the Red Chinese agree to return the prisoners of war they hold in violation of the pledges in the Korean armistice agreement, we will promise to lift trade embargoes so as to get from them that which, under any code of honor or justice, we are entitled to receive without offering a single concession as a ransom?

Our allies evidently are ready to go further and turn Formosa over to Red China. But do they realize that to throw away the strategic value of 500,000 Nationalist troops on Formosa is to break down also the morale of the Korean Army of 650,000 and to stimulate Communist activity in Japan and the Philippines?

Naturally many people in the United States are puzzled. They are unable to understand why we should have been required to sacrifice more than 33,000 American lives in Korea, in addition to 103,500 wounded, to defend the principle of collective security, only to see it abandoned now in a collective appeasement.

Are we to give up our powerful leverage on the economic and moral side which, if steadfastly adhered to, can liberate Eastern Europe and the peoples of Soviet Russia?

The Kremlin strategists are playing their game skillfully. If the Soviets can persuade the West to accept as permanent the control of Eastern Europe by Moscow and the domination of Asia by Peiping, and if the Communists can get trade in strategic goods opened up, too, they will have won without war the greatest triumph of all history at the least cost.

The Soviets, of course, can flatter our leaders and can pour forth soothing phrases while withholding acts of performance. For the stakes of ten years of military occupation and political infiltration are high. Moscow's rulers, indeed, can afford to "stoop to conquer."

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